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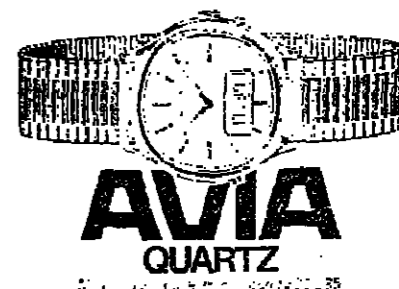
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# FINANCIAL TIMES

No. 27,724

Saturday November 25 1978

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## NEWS SUMMARY

### GENERAL

## Court hears Thorpe letters

The prosecution in the Jeremy Thorpe hearing alleged at Minehead yesterday that millionaire industrialist Jack Hayward unwittingly funded a plot to murder Norman Scott.

The court also heard letters alleged to have been written to Mr. Hayward by Mr. Thorpe, in which the former Liberal leader described Peter Bessell as "a bastard" and, on another occasion, wrote "damn the man".

Mr. Hayward told the court that he first met Mr. Bessell in 1970. It was Bessell who convinced Mr. Hayward to make a substantial donation to the Liberal Party. It amounted to £150,000.

In one letter Mr. Thorpe asked for £50,000 to cover "an overlap on some expenditure I would prefer not to argue about". He asked for one cheque for £30,000 to be paid to the Liberal election fund and one for £20,000 to be sent to Nadir Daghav, a Jersey businessman and the godfather of Thorpe's son.

Mr. Hayward also said that Mr. Thorpe asked him to put pressure on Mr. Bessell for money owed to him (Hayward) and threatened that if Bessell came back to this country "I would serve a writ on him for bankruptcy". Mr. Hayward said he took no action.

### Zambia hostile

Prospects for an all-party Rhodesia conference in London look bleak, with President Kaunda of Zambia pessimistic and British envoy Clewlyn Hughes expected to be given a hostile reception in Lusaka. Page 2

### Death toll up

The U.S. State Department said the death toll in the Guyana mass suicide could reach 500. More than 600 bodies have already been found at the former headquarters of the People's Temple sect when the U.S. Congressmen were killed last week.

### Portugal riot

Riot police used teargas to disperse hundreds of youths wearing Nazi-style black shirts and swastika armbands who rampaged through Oporto, Portugal's second city.

### Rates pessimism

The Government has told local authorities to keep rate increases below 10 per cent, a view the authorities said was at best optimistic and at worst unrealistic. Back Page

### £3.5m spillage

Trade Department says the cost of the east coast Eleni V oil spillage was about £3.5m. The Government hopes to recover all the money from the shipowners or their insurers.

### Historic auction

The first ever auction of bonds and share certificates, organised by Stanley Gibbons in London, raised £23,600—almost double the estimate. Top price of £1,600 was paid for a Spanish Government bond issued in 1749. Page 22

### Time running out

Tomorrow's Sunday Times could be the last for some time. The group is only six days away from the date on which it has said all publication will be suspended and the National Graphical Association is still refusing to attend talks. Page 3

### Briefly

Two men were jailed for six months at Carmarthen for conspiring to damage television transmitter installations.  
Bolivian armed forces ousted President Aspin in a bloodless coup. Page 2  
Four people were hacked to death and a fifth shot in southern Thailand.  
Eight children were hurt when a car ploughed into a Glasgow bus queue.  
Wife of Ronnie Wood, the Rolling Stones guitarist, wants a divorce.

### CHIEF PRICE CHANGES YESTERDAY

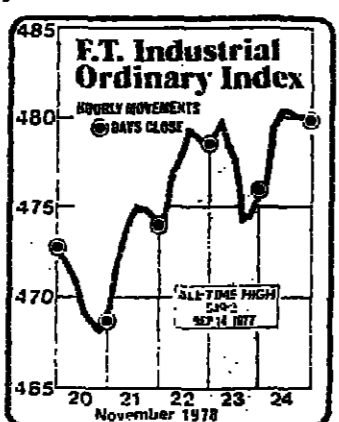
(Prices in pence unless otherwise indicated)

RICES		United Engineering		United Scientific	
Armatage Shanks	751 + 41	WGI	250 + 9	WGI	130 + 8
Armatage Trust	101 + 2	BP	236 + 12	BP	415 + 65
Avana	67 + 3	Screech Res.	354 + 10	De Beers Ltd.	358 + 6
Beecham	629 + 7	Shell Transport	294 + 9	Union Corp.	294 + 9
Borthwick (Thos.)	63 + 3	De Beers Ltd.	358 + 6	Westfield Minerals	320 + 20
Brown Tool	31 + 6	Metals Box	228 + 8	SSS Newspapers	106
Capitol and Counties	62 + 21	Parke-Timber	122 + 4	Parke-Timber	122 + 4
Marlborough Prop.	22 + 11	Basal Elec.	222 + 6	Read Int'l.	156 + 6
Metal Box	228 + 8	Read Int'l.	156 + 6	Saatchi and Saatchi	140 + 5
SSS Newspapers	106	Saatchi and Saatchi	140 + 5	Stobhy PB	352 + 9
Parke-Timber	122 + 4	Stobhy PB	352 + 9	Stewart-Plastics	182 + 10
Basal Elec.	222 + 6	Stewart-Plastics	182 + 10	Tunnel B	280 + 10
Read Int'l.	156 + 6	Tunnel B	280 + 10		
Saatchi and Saatchi	140 + 5				
Stobhy PB	352 + 9				
Stewart-Plastics	182 + 10				
Tunnel B	280 + 10				

### BUSINESS

## Equities gain 7.1 on week to 479.9

● EQUITIES resumed their technical recovery, gaining 7.1 points on the week. The FT



Industrial Ordinary Share Index yesterday rose 3.9 to 479.9. Gold mines index was 1.2 up at 134.1.

● GLITS were unsettled by the rise in U.S. prime rate and lost earlier gains to close unchanged at 68.20.

● STERLING fell 65 points to £193.90, partly because of the U.S. prime rate rise. Its trade-weighted index was 62.3 (62.5). The dollar recovered after a week start to DM 1.9305 (DM 1.9187). Its trade-weighted average depreciation was 8.3 per cent (8.5 per cent).

● GOLD fell \$1 an ounce in London to \$201.1, but was \$3 up on the week. In New York, Comex November settlement was \$203.43 (\$201.30).

● WALL STREET gained 3.12 to close at 810.12, a 12.30 rise on the week.

● WILSON COMMITTEE on the City is prompting the big four clearing banks to announce whether they will reveal details of their bad debt provisions in their next accounts. The committee has already notified the Committee of London Clearing Banks that it would like to know the banks' decision when it gives evidence on Tuesday. Lex

● ROTHSCHILD BANK, the Zurich associate of the London merchant bank, has been excluded from an international bank issue for an Algerian bank because of the Middle East crisis. Back Page

● INTEREST RATE on investment account deposits at the National Savings Bank is being raised from 9 1/2 per cent to a record 12 per cent. Back Page

● DAIRY FARMERS in England and Wales have voted almost unanimously for keeping Milk Marketing Boards in a referendum demanded by the EEC. Page 3

● VOLKSWAGEN'S exploratory talks for a stake in the privately-controlled computer company Nixdorf have been abandoned. Page 21

● ATOMIC power workers have rejected a 5 per cent pay offer from the UK Atomic Energy Authority and are seeking a meeting with the Energy Secretary. Page 3

● BL CARS workers at Solihull have voted to reject a strike call and continue talks over their demand for a new grading structure. Page 3

● BASF, the West German chemicals group, suffered an 11.9 per cent drop in its pre-tax profits from DM 863m to DM 760m (about £206m) in the first nine months. Page 21

● ROBERTSON FOODS had higher turnover at £37.42m (£33.35m) in the first half, but pre-tax profits fell to £758,000 (£889,000). Page 18

● J. E. SANGER, international meat trader, incurred losses of £175,000 in the 15 months to June 30 compared with profits of £113m for the previous year. Page 18

● BRITISH LAND has increased its shareholding in City Offices to 7.78m shares, a strategic 29 per cent. Page 18

## EMS Green Paper backs objective but wary of details

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

The Government's Green Paper on the proposed European Monetary System takes an unexpectedly positive view of the creation of a zone of monetary stability. But it remains non-committal about the precise exchange rate mechanism to be used.

The Government says it cannot yet reach a conclusion on whether it would be in the UK's best interests to join the exchange rate zone of the monetary system "as it finally emerges from the negotiations. Several times the Green Paper draws a distinction between the goal of monetary stability and the detailed exchange rate arrangements."

This view underlines the likelihood that the Prime Minister will tell the other EEC heads of government in Brussels in ten days' time that the UK favours the establishment of a monetary system but that it has reservations about the technical aspects which have not yet been resolved.

Consequently, the UK may not agree to participate fully and link sterling immediately with other EEC currencies. In that case, full membership would follow when discussions on the broader proposals had been successfully completed.

This was hinted at by Mr. James Callaghan on Thursday when he told Labour MPs that Britain would not take a final decision on joining the system at the Brussels summit.

The Green Paper's emphasis on the broader objectives contrasts with the stress placed during the detailed talks of the last five months on the significance of the technical aspects.

The Paper says: "It is im-

portant to make clear first that, in the Government's view, the choice to be made in the coming weeks relates not to a European Monetary System on the basis laid down in Bremen (the last EEC summit), but in the narrower issue of a particular exchange rate mechanism which is not yet fully negotiated."

Some may regard the system as little more than an exchange rate mechanism, supported by central bank swap arrangements. "The Government sees it as much more than that. It believes the scheme was conceived as more than that at Bremen and needs to be more than that if it is to contribute in greater stability in the international monetary system."

The Green paper says that, in advance of agreement on the nature of the scheme, only the most general statements are possible. It contains no detailed or quantitative assessment of the possible economic impact.

The Government effectively rejects the argument that the UK's economic independence would be threatened by pointing out that the exchange rate cannot be freely manipulated to inflate the UK from development abroad.

"It has in fact become increasingly important in maintaining the stability of the sterling exchange rate in order to promote stable trading con-

ditions and diminish business risk.

To accept a formal commitment to exchange rate stability would not therefore represent a major break with existing policy."

The Government also sees "no objection of principle against entering into international agreements to maintain stability in the exchange rate with the help of co-operative credit and reserve asset arrangements. . . . It is wholly appropriate that we should do this within the European Community to which we belong."

This section is likely to annoy the many anti-market forces within the Labour Party, while both these critics and others are likely to disagree with the Government's rejection of a policy of a depreciating exchange rate.

The Government reiterates its determination to work "for a continuation of the exchange rate stability which sterling has enjoyed for nearly two years."

The Green Paper discusses the possible impact on price competitiveness and the balance of payments of the assumption—that the average exchange rate would be a little higher inside the EMS regime.

Continued on Back Page  
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Editorial Comment Page 16  
Italy to join EMS, Page 2

## Callaghan hints at part membership for a while

BY ROBERT MAUTHNER

PARIS, Nov. 24.

MR. JAMES CALLAGHAN hinted strongly today that Britain might participate in some aspects of the proposed European Monetary System, without becoming a full member from the very beginning.

Speaking after talks in Paris with President Giscard d'Estaing, Mr. Callaghan emphasised that there had never been any doubt that the country was interested in monetary stability which could be only of benefit to Europe and the world as a whole.

He also said that a Community scheme must embrace all nine member countries. But not all countries necessarily had to adhere to all parts of the scheme. Some might decide that they were more concerned with certain aspects than others.

It was the first time that Mr. Callaghan had spoken in public of the possibility of partial British participation in the scheme. Though the Prime Minister did not elaborate on his

cryptic remarks, it is understood that the British Government is exploring the possibility of taking part in such aspects of the EMS as credit arrangements, review procedures, the harmonisation of economic policies and the relationship of EMS to other currencies, particularly the dollar. The British view is that such partial participation is possible, when the scheme is set up on January 1, without bringing the pound into the narrower margins system.

Consequences  
President Giscard, while not commenting directly on Mr. Callaghan's remarks about partial British participation, took a sympathetic view of Britain's special problems, which, he indicated, would be taken into account when the scheme was set up.

British officials particularly welcomed the French President's statement that, if the UK did not participate fully in the scheme from the beginning, this would not have any adverse political consequences for the future of Europe.

The French President expressed this firm hope that the final decision to be taken on the system at the European Summit on December 4 and 5 would be of the type which would either ensure British participation from the outset or when the British Government considered the circumstances to be favourable for membership.

The British and French leaders also reached agreement on the controversial question of the extension of the European Parliament's powers after it is elected, which has been the subject of a bitter debate in France over the past few weeks. Mr. Callaghan emphasised that the British Government, like the French, intended to ensure that the European Parliament's powers should be strictly limited to those laid down in the Treaty of Rome.

There is nothing new in it—I could have written it myself two years ago with no help from the British Government."

Mr. Finn Olav Gundelach, the EEC Fisheries Commissioner, said afterwards that many of Britain's major demands could be satisfied through the use of formulae slightly different from those suggested by Mr. Silkin.

British fishermen could get de facto preferential treatment and quotas taking into account their losses in third-country waters, but Mr. Silkin had not been interested in discussing how this might be done, he said.

## Brussels fishing talks collapse

BY MARGARET VAN HATTEN

BRUSSELS, Nov. 24.

EEC Fisheries Ministers broke off talks indefinitely today after Britain put forward detailed and specific demands for a share-out of fish in its coastal waters.

Mr. John Silkin, the UK Agriculture Minister, stressed that these were not the last word and were intended as a clarification of the British position. But if he expected this clear invitation to negotiate to be taken up, he miscalculated.

The other eight Ministers quickly decided that the document was written for a British domestic audience and was no

basis for discussion. They complained that it violated the basic non-discrimination principle of the Treaty of Rome and ignored the progress made in intensive bilateral and trilateral talks over the past month.

Mary Josef Trill, the German Minister and president of the Council of Ministers, said after the meeting that the issue would be referred to the EEC heads of state meeting here on December 4 and 5.

"No further progress seems possible at this level," he said. "I am deeply disappointed with the British document."

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## BBC declares licence rise not enough

BY ARTHUR SANDLES AND LISA WOOD

CONTINUED restraint on technical and programme investment in 1978 because of phase one. Weekly staff had negotiated an increase before the unions are the most likely immediate results of the Government's decision, announced yesterday, to raise the BBC's colour television licence fee from £21 to £25 and the monochrome fee from £9 to £10.

The increase is to be effective for a year, full well short of the £30 the corporation has been seeking and again restrict the BBC's short-term budgeting. The BBC had wanted the fees fixed for the next three years.

Mr. Ian Trethowan, director-general of the BBC, said that the £25 was "much less than we wanted" and that the corporation "could not now make all the improvements to the service we had planned."

Sir Michael Swann, BBC chairman, accused the Government and the Tories of "frightful hypocrisy" over licence fees. He interviewed yesterday for a BBC2 programme to be broadcast tonight. Sir Michael said here, both by the Labour Government and the Tories, for real terms the cost of the licence has gone up and down.

"A licence costs about one quarter of the cost of renting a television and to say that the public will not stand increases is untrue."

If a government had the courage to say that the licence fee was "damned good value" the public would accept increased fees.

Sir Michael spoke of the Corporation's difficulties, such as the independent television companies' ability to outbid the BBC for certain programmes. He touched on the controversial London Weekend Television deal with the Football League and said: "We could not have outbid them. But I do not know if we would have."

The corporation accuses that had the fee kept pace with inflation for the past decade, a 19 per cent rise would not be necessary now.

Its 1979-80 bill is about £140m. Many BBC salaried staff were

### Concern

Recently, staff have appeared unwilling to work overtime in order to cover the gaps created by resignations. A pay dispute seems inevitable and might mean serious interruptions to BBC Christmas programming.

The other big area of BBC concern is the one-year term of the fee rises. "If you have to go back for an increase every year it is very close to having a grant in aid," Mr. Trethowan said.

The BBC's objection is that it potentially undermines broadcasting independence. There is a constant fear that he who pays the piper will eventually try to call the tune.

Mr. Trethowan said that the increases were bad for planning and bad in principle. The one aspect of the announcement that he welcomed was the prospect of talks with the Home Office about future practice.

The fee increases have been challenged by a group of Labour backbenchers, led by Mr. Alex Lyon, MP for York, a former Home Office Minister. They have put down a motion to annul the Home Office order to give local authorities the right to operate from midnight.

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Brussels probes football deal. Page 22

## Esso drivers reject deal

BY NICK GARNETT, LABOUR STAFF

THE THREAT of a dispute between the major oil companies and their tanker drivers worsened yesterday when union negotiators at Esso rejected the company's pay and productivity offer.

Similar "final" offers within pay guidelines by Shell and BP have already been rejected. Conferences of senior shop stewards at the three companies will be held next week.

Offers due to be made by Mobil and Texaco are also expected to be turned down. The tanker men, whose claim includes a "forward commitment" on overtime rates from a previous settlement which would alone be worth 5 per cent, imposed an overtime ban during last year's talks which cut petrol supplies by up to 30 per cent.

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## OVERSEAS NEWS

## Steel industry gives Carter a victory over inflation

BY STEWART FLEMING

NEW YORK, Nov. 24

PRESIDENT CARTER secured an important, albeit predictable, victory for the second stage of his anti-inflation programme today when U.S. Steel, the industry's leading producer, announced it would increase its prices by an average of 3.2 per cent from January 1.

The company and the President's economic advisers and price stability described the increase as being within the guidelines set by the price standard of the anti-inflation programme.

The council said that during the base period for which the price standard is set—1976 and 1977—U.S. Steel had increased prices by an average of 8.8 per cent a year. The new programme allows the company an increase of one half a percentage point below that 8.8 per cent, of which no more than half (4.4 per cent) can be in the first half of the year.

The council said that adding an earlier increase in the price of iron plate to the U.S. Steel increase since October 1 to 8.8 per cent.

The Carter Administration will undoubtedly be pleased with this as a demonstration of company discipline in a company which has in the past proved recalcitrant, especially since the rest of the industry is expected to raise prices by similar amounts.

It has been plain, however, from an announcement earlier in the month that the Administration had effectively pressured the steel industry into compliance in return for a 7 per cent increase in the trigger price in the first quarter of next year. The trigger price, a system administered by the U.S. Treasury, is designed to control imports of foreign steel.

By increasing the trigger price, the Administration claims to be holding back imports, since steel coming into the country below trigger price levels faces anti-dumping investigation. The increased trigger price also gives the U.S. industry more leeway in raising its domestic prices without having to worry too much about being undercut by foreign steel makers in its domestic market.

Since the trigger price system came into effect in April this year, its impact on the volume of steel imports has been questioned. But few doubt that it has been a key factor behind the ability of U.S. steel companies to raise domestic prices by between 15.20 per cent in the past 12 months, increases which have contributed to handsome profit

tax regulations were equally complex, he said. "No taxpayer can state authoritatively that he is never in violation of any given tax code."

Citibank said today that it had filed copies of the report with the Securities and Exchange Commission, the Federal Reserve Board and appropriate foreign governmental authorities. The Board had also directed Citibank's management, in the light of the report's findings, to review past and present foreign exchange practices at all its important offices to make sure local laws and regulations were being complied with. Periodical reports on these reviews are to be made to the Board.

Citibank also said that it would now try to settle any so far unexpressed tax claims relating to the foreign exchange matters raised by the lawyers' report.

## U.S. optimistic on oil price rise

BY DAVID BUCHAN

WASHINGTON, Nov. 24

AN OIL PRICE increase next year by the Organization of Petroleum Exporting Countries (OPEC) is becoming inevitable, but is likely to be less than 10 per cent.

This is the optimistic assessment of U.S. officials who participated in the Middle East OPEC members, which ended yesterday. The 13 OPEC members are due to meet in Abu Dhabi on December 18, to take a second decision on next year's price rise. The market price now is \$12.70 a barrel of Saudi Arabian light crude.

A disagreement to Sheikh Ahmed Zaki Yamani, the Saudi Oil Minister, was central in shaping the U.S. view. He said his country would argue a continuation of the two-year-old price freeze. Mr. Yamani also received assurances from Abu Dhabi that the United Arab Emirates would follow the Saudi lead.

The Shah of Iran told the U.S. Treasury Secretary that Iran would take a back seat in the mid-December negotiations, evidently because of his need to secure continued U.S. political support for his regime. Only one of the four countries, Kuwait, is expected to push for a price rise of more than 10 per cent.

Exactly a year ago, Mr. Blumenthal toured Middle East oil producers, successfully urging them to agree to a price freeze to allow industrial countries to sustain their economic recovery and to fight inflation. It seems clear that the same arguments have not worked this time.

Nevertheless, the Treasury Secretary seems to have had some effect with his "fall-back" argument that a modest increase, which did not hurt the dollar, would benefit OPEC more than a sharp rise which fuelled inflation in the industrial countries and sent the dollar plummeting.

There was a cool response from ZAPU Deputy President Mr. Joshua Chimpena and executive member George Silunduika when U.S. Ambassador Mr. Stephen Cox, and Mr. Leonard Allison, the British High Commissioner, disclosed the development on Wednesday.

Mr. Nkomo has frequently denounced the conference proposal as "nonsense" and sources close to ZAPU today said they thought it highly unlikely that Mr. Nkomo would attend a London meeting. President Kaunda, speaking at State House this morning, described himself

as pessimistic and added that he could not see Mr. Ian Smith, the Rhodesian leader, "submitting to any international pressure."

The private view of senior Zambian officials goes considerably further than this. What has particularly annoyed the officials is the claim of Mr. James Callaghan, the Prime Minister, that the decision to send an envoy to Nigeria and Southern Africa has been welcomed by African states.

Officials here maintain that this was certainly not the response of the Zambian Government, which was certainly not the response of the Zambian Government, which was certainly not the response of the Zambian Government.

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as pessimistic and added that he could not see Mr. Ian Smith, the Rhodesian leader, "submitting to any international pressure."



Deposed Pres. Pereda

## Army chief takes over after coup in Bolivia

By Robert Lindley

BUENOS AIRES, Nov. 24

IN A BLOODLESS coup early today, the Commander-in-Chief of the Bolivian Army, Gen. David Padilla Arancibia, deposed the four-month-old military regime of Gen. Juan Pereda Asbun.

Gen. Padilla announced that free elections would be held early in 1979 so that power could be handed over to civilians by August 6.

With the removal of President Pereda Asbun, Bolivia has experienced its 200th coup since it won its independence from Spain 153 years ago.

A communiqué from Government House in La Paz said that the armed forces "have decided to assume the leadership of the country, return to the people their rights and liberties, and, once and for all, allow them to elect their rulers by universal and democratic suffrage."

Bolivia appears to be governed now by a centrist triumvirate headed by Gen. Padilla, who informed the former right-wing President of the decision to depose him at 3 a.m. today.

The whereabouts of Sr. Pereda Asbun, a 47-year-old air force general, are not known.

He lost power in July after deposing President Hugo Banzer. Banzer, however, returned to power in the elections of 1977, but the elections were cancelled because of a membership vote fraud favouring Gen. Pereda Asbun.

Two weeks ago, Gen. Pereda Asbun caused dismay among opposition political parties, which had been pressing for new elections next year when he announced an election date of August 6, 1980.

The communiqué signed today by Gen. Padilla said that Pereda Asbun's attitude had put the armed forces in danger of "a possible confrontation with the people."

Sr. Hernán Siles Zuazo, a former civilian president and the chief opposition leader, said that a planned "march for democracy" announced yesterday would be ahead of planned but would be a demonstration of support for the new government.

La Paz, and all Bolivia, is quiet in the aftermath of the coup. Troops and tanks are on the streets of La Paz and troops surrounded the Interior Ministry.

A Presidential Palace spokesman, who refused to be identified, said Lt. Col. Faustino Rico Toro, the Interior Minister, was arrested at a regimental barracks in La Paz after midnight.

The spokesman said the arrest of Col. Rico Toro apparently prevented the Pereda Government from mobilising its forces to prevent the coup.

Sr. Hernán Siles Zuazo, the UPP leader, said he and other opposition leaders were called to the Ministry of the Interior at 3 a.m. to be told that a coup was imminent.

Sr. Zuazo stood as a presidential candidate in the abortive July elections this year.

A close result would leave the Diet free to reverse the verdict of the Primary, possibly putting Mr. Ohira into power instead of Mr. Fukuda. Voting patterns in the Diet are strongly influenced by factional allegiances.

Mr. Ohira has 55 members of his own faction committed to him, but can probably count on support from the 75 members of the Tanaka faction. By contrast Mr. Fukuda's support consists of his own immediate followers, numbering 78, plus the 48 members of the Nakasone faction. A fifth uncommitted faction, led by ex-Premier Takeo Miki and numbering 43 members, could therefore hold the key.

Mr. Ohira's emergence as a strong challenger has been documented by a series of newspaper polls which suggest that

the gap between him and Mr. Fukuda may have shrunk from 300 points (out of the total of 1,525 to be awarded in the poll) to less than 100.

The point system is designed to isolate the two front runners in the primary poll from the "also ran" faction committed to them. In each prefecture votes cast for the third and fourth candidates are redistributed among the top two candidates. Candidates must therefore ensure that they gain second place in prefectures they cannot hope to win.

Mr. Ohira's rivals claim that groups supporting his candidacy have obtained the list of LDP party members in the Tokyo area, which commands 102 electoral points, and have used it to conduct an intense campaign which other candidates have been unable to match.

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The point system is designed to isolate the two front runners in the primary poll from the "also ran" faction committed to them. In each prefecture votes cast for the third and fourth candidates are redistributed among the top two candidates. Candidates must therefore ensure that they gain second place in prefectures they cannot hope to win.

Mr. Ohira's rivals claim that groups supporting his candidacy have obtained the list of LDP party members in the Tokyo area, which commands 102 electoral points, and have used it to conduct an intense campaign which other candidates have been unable to match.

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## BELGIAN STEEL INDUSTRY

## Rescue plan timed before December elections

BY GILES MERRITT

BRUSSELS, Nov. 24

PUTTING a precise figure on the Belgian Government's plan to reorganise and streamline the steel industry is understandably difficult. But it is already clear that the BFR 10bn sum now being mentioned in Brussels is a long way from the BFR 60bn (€1bn) that the scheme will finally add up to.

Put another way, the bill to the Belgian taxpayer for buying an average 50 per cent stake in the steel industry's half dozen principal companies, cancelling out much of their existing debt to the State and providing new work for approaching one-third of the industry's 45,000 work force, will eventually total an amount that is uncomfortably close to the figure that was targeted for Belgium's entire 1978 budget deficit.

Yet the Belgian plan is a middle-of-the-road strategy aimed at preserving the structure of Francophone Wallonia's oldest industry, while keeping job losses to a minimum. It is no accident that Belgium's caretaker coalition Government headed by Mr. Paul Van den Broeck, has unveiled the plan only weeks before the country's December 19 general election, and it was no surprise that in the same breath

it promised similar aid for the textile and shipbuilding industries of Flanders.

Inside the EEC Commission, steel industry experts point out that in terms of industrial logic Belgium's choice should be to close its least competitive units making long products, such as bars and sections, and concentrate on flat products, like sheet and coil.

Political logic, however, in a country which has, at 6.7 per cent, the EEC's second highest unemployment level, dictates a policy that gives jobs, not a tough programme for the steel industry to accept. And the proof of that is the fact that it has been under discussion in Brussels since 1971, in what is presumably, the first phase of its scheme, there must be added at least BFR 30bn in debt and unpaid interest charges that the state is owed.

The difficulty of pushing rationalisation through, against internal industry opposition and union suspicion, moved the Belgian authorities in March, 1977, to take the classic BFR 27bn while the overall step of commissioning a debbledness of the industry has been placed at a staggering price of 14m. to detail BFR 72bn.

The details of the state participation in steel are, however, almost certainly much less significant than the implications regarding the rest of European steel industry, and the EEC Commission's move, which is the fed-by-the-trade-unions in the footsteps of earlier theories, and in much the same nationalised, position as France, Italy and the UK. The crisis in steel is the degree to which Belgium will in future find its national measures for revival of the steel industry in conflict with the EEC's competition rules.

For the Belgian Government's announcement of the plan coincides with a week of serious splits that has divided the Nine over this same issue. West Germany, backed by the Brussels Commission, has registered a strong objection to national aids, such as those that EEC countries with nationalised steel industries heavily favour.

To the back up, the industry, Germany has threatened to withhold its signature to external agreements limiting steel imports into the Community next year.

But it concludes that Italy can join the scheme on the basis of the conditions laid down by Sig. Paolo Baffi, Governor of the Bank of Italy. It is significantly more than the Franco-German offer of 4.5 per cent, three weeks ago.

This tactical gain in Brussels seems to have convinced the Italian politicians that the lira will have enough room for manoeuvre to escape the worst of any speculative attack, even if the absence of sterling from the system leaves the Italian currency as the only obviously "weak" target within the arrangements.

Sig. Pandolfi's remarks coincide with a noticeable softening of the attitude to the monetary scheme by the Italian Communist Party, whose hostility has been a powerful factor in the coolness of the Government to the EMS. An economic policy statement

in the party newspaper the morning still insists on the need for changes in the Community's farm policy, and for genuine harmonisation of economic policies among the Nine, as well as on extra EEC aid for the depressed South.

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## HOME NEWS

## Direct labour plans will face opposition

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

MINISTERS ARE to revive proposals to make direct labour building departments into fully independent trading bodies, in spite of the recommendation of a Government working party that such powers were "not desirable".

News of the move is due to start another round of violent opposition from the private sector of the construction industry, which believes that the Government intends to use direct labour operations as a major instrument in any plans to spread state control within the industry.

The Government intended to include provisions in a draft Bill last year for making such operations fully independent trading bodies, capable of taking on most types of work in any area and of competing with private contractors, but the controversial proposals were never introduced because of the Government's shaky parliamentary position.

A Department of the Environment working party report in August said that direct labour operations could be brought much more readily into comparison with private contractors.

This could be done by allowing direct labour operations to act as trading bodies, giving them some of the freedom in choice of work and flexibility in bringing that was open to private companies.

But the working party did not

support any proposal to allow the DLO's direct labour operations fully independent trading status. It emphasised that such departments should at all times be answerable to elected representatives and that their operations should be conducted on largely the same commercial basis as any private competitor.

But Mr. Ernest Armstrong, Parliamentary Under-Secretary of State at the Environment Department, said yesterday that while the reservations of the working party were understood, particularly those relating to the problem of equating the service nature of a direct labour operation with the commercial needs of a trading body — Ministers were anxious to see the proposals passed further.

"Such bodies would have to be subject to company law and commercial practices, but still responsive to local needs. I think it would be possible to establish building firms which would be pace-setters for the industry."

"Pre-setting is needed, in employment practices, in welfare schemes and in the safety record of the industry."

Mr. Armstrong claimed that direct labour operations could "show the way forward" in terms of the industry's efficiency — a claim which the private contractors are certain to contest.

## Further £50m State aid for Coal Board

BY JOHN HUNT AND JOHN LLOYD

THE GOVERNMENT was to make a further £50m available to the National Coal Board this financial year because of the "difficult position" in which it found itself, Mr. Alex Eadie, Junior Energy Minister, said last night.

Mr. Eadie said in a written Commons answer that the grant would cover assisted coal burn at power stations, stockpiling aid for coal and coke and a coking coal production subsidy.

The increase will come from the Government's continuing fund, and will not raise planned Government expenditure for the year. Grants to the board this financial year now total £124m.

The grant is broken down as follows: Assisted coal burn, £18.7m; stockpiling aid to coke, £10m; stockpiling aid to coal, £10.2m; coking coal production subsidy, £3.8m and further assisted coal burn in Scotland, £1.5m.

The assisted coal burn in England had already been announced and will enable the board to bring down the cost of

coal to power stations, allowing the Central Electricity Generating Board to move coal-fired stations up the merit order, and burn more coal.

But the announcement put the Government's aid at £17m. The extra £1.7m has been added for contingency. It was not made clear at the time that the Coal Board itself would contribute £4m to further cuts in the cost of power station coal, bringing the total subsidy to £22.7m.

**Coke sales**

The grant for the stocking of coke is part of a five-year programme of support for the Coal Board's subsidiary, National Smokeless Fuels, to allow it to adjust to the dramatically lower level of demand for coke.

The Board's sales of coke have dropped from more than 19m tonnes four years ago to about 14m tonnes last year.

The total expenditure on the coking coal scheme will be £38m, and provision for this will be included in the next public expenditure White Paper.

## Benn outlines power and coal strategy

BY RHYS DAVID

BRITAIN would spend £24bn by the end of the century on new power station facilities which had made it necessary to ensure continuity of orders for turbine and boiler manufacturers by bringing forward building of the Drax B Power Station ahead of requirements, Mr. Anthony Wedgwood Benn, Secretary for Energy, said yesterday.

Mr. Benn was visiting the Drax station in Yorkshire, where power for the new boiler and turbine houses is under way. The site eventually will carry three 660-megawatt turbo-generator units beside the existing Drax A station of the same size.

Completion is due by 1986, costing £85m. Contracts for turbines and boilers have been placed with C. A. Parsons and Babcock and Wilcox.

Mr. Benn, who met management and union officials from the Central Electricity Generating Board and the main contractors, would not be drawn on likely effects on electricity costs of a

big increase in miners' wages this year.

He repeated his belief in coal's importance as part of energy strategy, claiming that any cost advantage oil might secure over coal in the short term would be only temporary.

Britain had the most efficient mining industry in Europe, with cost per tonne of coal production only £22, compared with £38 a tonne in West Germany and £52 a tonne in Belgium. Subsidies last year amounted to £75m, against nearly £2.8bn in West Germany.

Mr. Benn said that there were 45bn tonnes of coal under the UK and more under the North Sea. "Anyone who let coal go down the drain would be betraying the interests of this country."

Mr. Benn's deputy chairman of the Generating Board, disclosed that coal stocks were a record 20m tonnes. Stocks had been built up not against disruption of supplies this winter, but to relieve the National Coal Board of some of the burden of holding stock.

## Cigarette promotion brings summonses

BY MAURICE SAMUELSON

A LEGAL BATTLE is imminent over a scheme to promote John Player cigarettes with prizes ranging from a free packet to £5,000 cash.

Summonses were issued yesterday against Imperial Tobacco Company and some of its directors and employees saying that the competition constitutes an unlawful lottery under the Lotteries and Amusement Act, 1978.

Imperial intends to defend the case, which is to be heard in Nottingham on January 18, and said that it had been advised by counsel that the promotion did not contravene the Act and was confident that "the views expressed by the Royal Commission on Gambling—that such 'free lotteries' have no harm in them—would be sustained."

The scheme, introduced about a month ago, has been widely advertised and highly successful. It is due to end next month, although wins will be redeemable until March. Wins of £5,000 and £1,000 have already been reported.

It has been used to promote sales of Players No. 6, John Player King Size and King Size Extra Mild. The packets contain cards resembling fruit machine combinations—some with lucky combinations.

The competitions appear under the names of Spot Cash, Trade Spot Cash, Special Trade Spot Cash and Wholesalers' Spot Cash.

Under the Lotteries and Amusement Act, 1978, lotteries that do not constitute gambling are unlawful, except as provided by the Act.

## State 'has to push' oil groups to drill

BY KEVIN DONE, ENERGY CORRESPONDENT

THE BRITISH National Oil Corporation had had to push oil companies very hard to start exploration drilling on blocks awarded under the fifth round of offshore licensing, Lord Kearton, chairman of the Corporation, said yesterday.

Exploration drilling has fallen sharply this year, and the Government is likely to consider tightening the work obligations placed on oil companies bidding in the present sixth round.

Lord Kearton said that there had been some belated realisation that with smaller licensing rounds there could be a break of two years or more before

companies undertook drilling work on the new concessions. "With one exception, all the oil companies have been urged to drill on fifth round concessions had come from the Corporation, he said in Glasgow.

The demand by the oil industry for more offshore acreage to be allocated should not be confused with a readiness by companies to drill early.

Costs of offshore exploration were rising sharply. The British Petroleum well drilled in the North Sea on Block 3/30 could have been "the single most expensive well drilled in the North Sea." Total costs were estimated at more than £10m.

North Sea wells were unlikely

to be completed for less than £3.5m to £4m. Compared with cost of about £2m some three years ago.

To drill and test a well now cost at least £4m to £4.5m.

The very expensive BP well could not even be properly tested, because of technical difficulties.

Pressures of about 16,000 lbs a square inch were encountered at the well, at a depth of about 16,000 feet. These pressures exceeded the capacity of any safety blow-out preventers in use in the North Sea, which have specifications up to only 15,000 lbs a square inch.

Lord Kearton said.

## 'Too many ships—and no profit'

Financial Times Reporter

WORLD SHIPBUILDING capacity was twice that likely to be needed in the long term, and it was hard to see how more than a fraction of it could be useful, Mr. Ronnie Swayne, president of the General Council of British Shipyards, said last night.

The problem reflected the slump in shipping. More than 55m dwt tons of shipping was laid-up around the world, with about 10 per cent of it British.

There was a risk that governments could prolong the slump by subsidising the building of ships when there was no com-

## Talks soon on plans for shipbuilding

BY LYNTON McLAINE

MR. ERIC VARLEY, Industry Secretary, has agreed to set up a tripartite meeting with the Shipbuilders and the Confederation of Shipbuilding and Engineering Unions, to discuss the State group's corporate plan for slimming the industry.

The plan has to be with the Secretary of State by December 31, and is likely to be submitted by the corporation early next month. A date for the meeting would then be fixed, the Industry Department said last night.

An outline of the options in plan was given by Mr. John Chalmers, chairman of the confederation's shipbuilding committee in Newcastle last week.

The favoured option calls for a cut of a third in the industry's production capacity, with accom-

panying yard closures and the loss of 12,300 jobs.

The industrial action against the proposed cuts has already been taken by members of TASS, the draughtsmen's union, at the Haverton Hill yard of British Shipbuilders on the River Tees. The yard is likely to be one of the first to close.

The men have refused to release plans for two refrigerated container ships. These may be built for the Bunk and Saville Line but only if the plans are released and the corporation agrees to give the industry department £50m shipbuilding intervention fund by Thursday, a deadline understood to have been made with the corporation, to meet an in-service date of early 1980.

## Freeze on bread price rises to be extended

BY OUR CONSUMER AFFAIRS CORRESPONDENT

INDEPENDENT bakers agreed yesterday to extend the freeze on bread price rises during the strike until at least December 9.

The assurance, made yesterday by the National Association of Master Bakers, whose members are not involved in the strike, was given to Mr. Roy Hattersley, Prices Secretary.

It came after the pledge given to him at the start of the strike that the independent group would not raise prices because of increased demand.

Since that assurance, the Department of Prices has received few complaints of overcharging by small bakers.

To enable the Master Bakers to give the pledge, the Government yesterday made an Order exempting the bakers' action from registration under the Restrictive Trade Practices Act.

Mr. Morris Zimmerman, director of the Master Bakers, said yesterday that the price assurance had been given because of the public goodwill during the strike. He hoped this would be reflected in a greater market share for the bakers when the strike ended.

The statutory maximum price for bread is also being vigorously enforced during the strike, Mr. Robert Maclean, Parliamentary Under-Secretary at the Prices Department, has asked local authorities to "make a special effort to ensure that the prices are not exceeded."

## Dairy farmers favour retention of boards

BY CHRISTOPHER PARKES

DAIRY FARMERS in England and Wales have voted almost unanimously in favour of keeping milk marketing boards—the milk collection and sales service on which the dairy industry depends.

Their vote of confidence in the monopolistic system also represented a resounding protest at their disillusionment with the workings of the Common Agricultural Policy, Mr. Steve Roberts, chairman of the milk marketing board said in London yesterday.

Reporting the results of a poll in England and Wales — "a referendum forced on us by the European Community" — Mr. Roberts said that out of the 46,668 voters, 99.5 per cent favoured retention of the boards.

In a similar poll in Northern Ireland, 99.1 per cent of farmers voted "yes." In Scotland, the result was 99.5 per cent in favour.

The poll in England and Wales was certainly the biggest, but only one of the hurdles to be overcome before the future security of the milk marketing system was established beyond doubt.

Even when all the formal requirements of the EEC authorities had been met, there could be further difficulties, Mr. Roberts said.

"There are still people in Europe who would like to put us in a straitjacket."

There would be a continuing battle for that share of the UK market the milk marketing boards could not cover, and continuing attempts by overseas interests to limit its sphere of influence and operations.

## Two building societies merge

THE TOWNWORTH Permanent Benefit Building Society is to transfer its assets to the Town Country Building Society, it was announced yesterday.

An application has been made to the Registrar of Friendly Societies for the merger to take place on December 30. The new society will have assets totalling £270m.

## Sullom Voe tankers delayed

By Our Shetland Correspondent

AFTER MONTHS of delay the first North Sea oil is due to arrive today at the £750m Sullom Voe terminal in Shetland — but because of a last-minute technical snag the oil companies cannot bring tankers into the port to take the oil out.

The oil industry and Shetland Islands Council, owners of the terminal site, cannot reach agreement over a temporary operating licence for the terminal in the absence of a formal land lease to Sullom Voe Association. The temporary licence would remain in force until June next year.

The industry is concerned about some of the provisions in the licence, particularly an indemnity clause under which the council would be reimbursed if there was any oil pollution in circumstances such as a fracture of either the Brent or Ninian pipelines.

## Seamen's deal low pay test

BY PHILIP BASSETT, LABOUR STAFF

BRITISH SHIPOWNERS' attempt to justify an 8.75 per cent pay increase for 40,000 seamen is expected to test how far the TUC has retreated in persuading the Government to be more flexible over the low pay provisions of stage four.

Low pay was central in the talks between the TUC's "Neddy" and senior Ministers, which led to the failed agreement on pay. The TUC was trying to increase the provisions in the White Paper. Winning the Battle Against Inflation, which allows increases higher than 5 per cent to an earnings ceiling of £44.50 a week.

The General Council of British Shipping, supported if necessary by the National Union of Seamen, will say that the 8.75 per cent settlement reached on Thursday is within the guidelines on low pay.

The Department of Employment will scrutinise the deal carefully in the light of the

White Paper, which says: "The Government would be ready to see higher percentage increases where the resulting earnings were no more than £44.50 for a full-time week."

The new deal raises average weekly earnings, calculated over a year, including overtime and leave pay, from £37.40 to £105.81.

The council believes that the minimum 40-hour week rate for an AB seaman, negotiated from £30 to £43.77, is prepared to re-organise the deal to avoid Government sanctions.

The union says that a Government refusal will lead to "serious problems" for the industry and the country.

Sanctions open to the Government include withdrawing the "limited moratorium," its three-year breathing space for shipowners unable immediately to pay for ships bought before the recession, and withdrawing political protection against cut-price Eastern bloc shipping rates.

## NGA ignores Times plea to have talks

BY CHRISTIAN TYLER, LABOUR EDITOR

TIMES NEWSPAPERS again called on the National Graphical Association yesterday to join other print unions in talks with the company.

But it looks increasingly likely that the company will see no alternative but to carry out its threat to suspend publication of The Times, its three supplements, and The Sunday Times from Thursday night. If so, tomorrow's Sunday Times could be the last for weeks.

Last night Mr. Joe Wade, NGA general secretary, said it was not the union, but the company that was putting people's jobs at risk. It only needed the company to withdraw its threat and normal negotiations could follow.

Mr. "Duke" Hussey, chief executive of Times Newspapers, put out a statement last night after confirmation by a special delegate conference of the NGA's London members' decision not to negotiate under duress, and a warning by Mr. Wade that the union was now in a state of conflict out "to the bitter end."

Mr. Hussey said: "It is still not too late. We are available at any time to talk to the NGA. Every other union is negotiating constructively with us. Why don't they?"

Many NGA members were keen to operate new computer-linked equipment at The Times offices. No NGA member who did not want to leave would have to, the new technology would be phased in gradually, and the great bulk of the work would always be done by NGA members.

The union said that it had refused to negotiate because of the threat of suspension and because it was being asked to give up the principle that all keyboard work should be done by NGA men.

By last night, still only one of the 34 bargaining groups covering the company's 4,300 employees had signed an agreement on industrial relations reform and technology. Notices terminating the employment of more than 100 journalists, who have been imposing sanctions since Monday in support of a £20-a-week pay rise in the provinces, became effective yesterday.

They were issued by St. Regis Newspapers, proprietors of the Bolton Evening News and six weekly papers in the North of England.

## Leyland peace hopes receive a boost

BY OUR MIDLANDS CORRESPONDENT

BL CARS hopes of containing pay unrest rose yesterday with pay rises by mass meetings of workers to postpone strike action and continue negotiations.

At Rover, Solihull, 15,000 employees rejected a strike urged by shop stewards in pursuit of a new grading structure at the company's 12 plants.

At Longbridge, Birmingham, shop stewards who had called a meeting of the 20,000 manual workers to recommend an immediate strike instead advised employees to be patient and allow talks to continue.

But it was not all good news for BL Cars management yesterday as it struggled to push through a pay package to restore some sort of order to its traditionally chaotic bargaining structure.

Some 250 men walked out from Dursley Lane, the key components plant where an all-out strike last week halted all Austin and Rover production and made 30,000 workers idle.

The latest unofficial action stems from management efforts to clamp down on slack working practices which have allowed employees to complete their tasks and leave early. Some 20 men, who had pay stopped for persistently leaving their work stations, were supported by another 230 colleagues.

Austin-Morris said production of front suspension units had been halted and should the strike continue next week, car assembly at Longbridge and Cowley would be affected rapidly.

## Traffic wardens call off action and seek TUC aid

BY ALAN PIKE, LABOUR CORRESPONDENT

THE LONDON traffic wardens' dispute, which has lasted two months, is to be called off because the Government has refused to allow it to go to the Advisory, Conciliation and Arbitration Service for arbitration.

Instead the Civil Service Union, which represents the wardens, is to ask the TUC to pursue what it sees as discrimination against public sector workers, a union spokesman said yesterday. In these circumstances it had been decided to advise the wardens to resume normal working from Monday week.

For the last two months the 1,300 London wardens have been imposing sanctions in support of a claim to have their pay related to that of civil servants rather than to that of local authority employees.

The Government announced yesterday that police forces in the police sector, whose pay was not covered by the Edmund Davies report, are to be the subject of an investigation by a new committee chaired by Mr. Eric Wright, former Deputy Under-Secretary at the Home Office.

## Atomic workers demand meeting with Benn

BY PHILIP BASSETT, LABOUR STAFF

UNION NEGOTIATORS representing 4,500 atomic power workers yesterday rejected a 5 per cent offer, plus productivity deal, from the United Kingdom Atomic Energy Authority and demanded a meeting on pay with Mr. Anthony Wedgwood Benn, Energy Secretary.

Though a smaller group than the 1m local authority men who have submitted a 40 per cent pay claim, the atomic workers are traditionally seen as the first public sector test of Government pay policy. A further 4,000 workers for British Nuclear Fuels are expected to get a 5 per cent offer on Monday.

Mr. Mick Martin, public services' national secretary of the Transport and General

Workers' Union, said yesterday that the union side would ask its membership not to take industrial action over its pay claim until after meeting Mr. Benn.

The authority made clear that its productivity deal, which is expected to yield a further £3.50 a week, would have to be cleared by the Department of Energy.

The trade union side rejected the 5 per cent increase outright, but said it would consider the productivity element if clearance was given.

The unions have claimed pay increases for craftsmen of 20 per cent, with pro rata increases for other grades, a reduction in the working week, extra holidays and other benefits.

## No respite for a poor relation

NEWS ANALYSIS

THE BBC

BY ARTHUR SANDLES

ALL IN ALL it has been a bad month for the BBC. As if the ITV deal with the Football League was not bad enough, the £25, one-year, new licence fee has come as a nasty shock.

Now the corporation faces a winter of discontent among its staff and the unwelcome feeling that it has slipped into the financial lurch that it has long struggled to avoid.

The BBC is very much the poor relation of British broadcasting. While the commercial companies have grown fat from advertising over the past two years, and even some independent radio stations have started paying the additional fees required when their profits become hefty, the corporation has had to persist with its economy drive.

That means more than just cutting down on taxi rides and ending BBC biscuits with the visitors' coffee.

It has led to constant reports of old programmes, bulk purchase of cheap American market time-fillers, regular use of old feature films and deep sighs of relief when a low-cost show such as Mastermind gets into the TV ratings.

BBC financial stress has coincided with a time when the rest of British broadcasting is reinvesting massively. Recent developments in TV technology result in a need for substantial re-equipment. The BBC is not well placed for that sort of expenditure.

Last year from its £228m net licence revenue receipts the BBC spent £182m on its TV services and a total of £57m on radio, with Radio 4 the biggest consumer of cash.

Over the last year, expecting a substantial licence fee rise, it has delayed massive pruning of those sums and, as a result, slipped deeper into debt. It is £20m in the red and well on the way to its £30m limit, an embarrassingly high figure in these

days of rising interest rates.

The unions have been holding back on their pay claim, knowing that the BBC has no money. Many employees were caught in the pay policy gap, one that closed after ITV employees were given rises.

Throughout the summer the unions, like the BBC, expected an election and thought that a new Government would give the BBC a big long-term increase. The Corporation hoped to remove its overdraft, settle with the unions, and plan or foster programme investment all in one fell swoop.

A 5 per cent pay rise would cost the BBC about £7m in a full year. Thus the more likely 10 per cent is £14m. With

normal inflation affecting the Corporation as badly as anyone else, the £27m that the BBC will get additionally in the current year may not be enough to stop it from slipping even deeper into debt.

The dilemma is the fact that the licence fee, low by international standards, is a large lump sum and one that any government fears politically difficult to increase.

The Annan Committee on the future of broadcasting agonised over the question but concluded that the system was still the most sensible way of collecting money for the BBC.

The alternatives, such as a direct Government grant or advertising on the BBC, were regarded as unsuitable. The corporation would like an alternative, particularly one that would remove it from the winds of the political world, but it too has failed to come up with an answer.

For another year at least, the BBC is going to remain inside the political arena. Meanwhile, management and governors must turn their attention to their employees. It might be a chilly winter for negotiators.

## GREEN PAPER ON EUROPEAN MONETARY SYSTEM

# Government not ready to decide whether it is in Britain's best interests to join

THE GOVERNMENT takes a non-committal view on whether the UK should enter the proposed European Monetary System in its Green Paper, published yesterday.

The paper says the Government is not yet in a position to say whether it would be in Britain's best interests to join the system.

The Green Paper relates the proposal to the international monetary environment, and describes the kind of system which the Government would like to see developed so that it could include and retain all the members of the European Community.

The proposals are due to be discussed by the Commons next Wednesday, and by the EEC Heads of Government at a summit meeting in Brussels early next month.

For about a quarter of a century after the 1939-45 war, the free world lived with a system of fixed but adjustable exchange rates which rested on international agreements reached at Bretton Woods in the US in 1944. Britain played a major part in the working out and establishment of this system. The International Monetary Fund was set up to support and monitor it. The foundation on which it was built was the overvalued dollar, the economic importance of the US in the postwar world. The US was ready at that time to accept responsibility for the main reserve currency of the system, to assist wherever the reconstruction of other countries of the free world (e.g. through the Marshall Plan) and to make it possible for the central banks of other countries to rebuild their reserves of dollars.

The system of fixed but adjustable exchange rates came up at Bretton Woods under the leadership of the US and virtually ended in 1971. The main reason for this was the growing imbalance between the industrialised countries and the rest of the world. The US, which had been the dominant power in the world, found itself in a position of economic decline. The UK, which had been the second largest power, found itself in a position of economic decline. The US, which had been the dominant power in the world, found itself in a position of economic decline. The UK, which had been the second largest power, found itself in a position of economic decline.

It should be truly European and capable of containing all Community members, allowing for the divergences in their economic situations.

## Floating

Since 1973 the world has lived with a system of floating exchange rates. The floating rate has often been managed by heavy central bank intervention. It has been argued that the floating rate has helped to bring about a more stable world economy. The floating rate has helped to bring about a more stable world economy. The floating rate has helped to bring about a more stable world economy. The floating rate has helped to bring about a more stable world economy.

## UK approach

The Government made it clear from the outset that it would participate fully and constructively in the work necessary to achieve a European Monetary System which could embrace and retain all members of the Community and which would in fact contribute to the objective of greater monetary stability. It stated repeatedly, before and after the Bremen meeting, that a new system would not be durable and effective unless it were soundly based in appropriate economic policies. No currency intervention, however large the resources used for it, and no currency, however powerful, can in the long run hold an exchange rate if the fundamentals are wrong.

The Government therefore insisted that the system should embody certain characteristics: 1—It should be durable and effective. If it proved to be durable the stability of European currencies would be damaged with consequent damage to the political and economic development of the Community as well.

2—It should be truly European and should be capable of containing all members of the Community, allowing for the divergences in their economic situation and for the time that is bound to be needed to achieve major progress towards convergence.

3—It should provide a basis for improved economic growth and higher employment in the Community, rather than impose further constraints on growth and employment.

4—For this reason, the system should impose obligations on its stronger members symmetrical with those falling on its weaker members.

5—The system should be supported by adequate funds for intervention on the currency markets.

6—There should be provision for realignments of exchange rates within the system when underlying economic circumstances made this advisable.

7—The system should reinforce efforts to improve currency stability worldwide and should not be detrimental to other currencies, including the dollar, or to the standing and effectiveness of the IMF.

8—The system should be accompanied by clear progress in making the operation of Community policies as a whole assist in promoting convergence of economic performance of member States. In particular there should be net transfers of resources on the right scale to the less prosperous countries.

The Government therefore welcomed the concept of a zone of monetary stability in Europe put forward at Bremen by the Federal German Chancellor and the President of the French Republic, to be achieved by establishing a European Monetary System. This system, as outlined in the annex to the presidency statement on the outcome of the European Council at Bremen, was to have several important components. There was to be a regime of fixed but adjustable exchange rates "at least as strict as the snake" and it was stated that the exist-



MR. DENIS HEALEY  
Principally involved in the EMS negotiations

There is still a spectrum of current studies of the action needed to be taken to strengthen the economies of the less prosperous member countries in the context of the EMS.

The heads of government stated "such measures will be essential if the zone of monetary stability is to succeed". They gave the Community's Economic Policy Committee the task of producing a report. The results of this work were to form the basis for "decisions and commitments" at the European Council in December.

Our partners agree unanimously that one necessary condition for the system to be effective and durable, is that inflation should be kept at a low level as far as possible, without this having a deflationary effect.

They see the convergence of inflation rates at a moderate level as an integral part of a wider strategy aimed at achieving sustained growth, gradually leading to full employment, a convergence of living standards, and the reduction of regional disparities. They agree that to ensure the success of this wider strategy and to allow all Community members to benefit, there should be greater convergence of economic policies and that the Community's decision-making mechanisms should be strengthened to this end.

The Government welcomes this emphasis on the importance of achieving more convergent performance since there has been some concentration on exchange rate mechanisms during the discussions on the EMS.

Our partners have also recognised that participation in the EMS could pose major problems for the less prosperous countries, however determined the efforts of those countries to tight inflation might be. They might also face long-term problems in reconciling continued participation in the exchange rate regime with pursuit of their goals on growth and employment. So they need Community help to solve these problems. The EMS must be seen to be compatible with the Community's long-term perspective to narrow the gap between the more and less prosperous countries.

The Community Budget is an essential instrument to achieve this. Community policy taken as a whole, including resource transfers through the Budget, must contribute to economic convergence. It certainly should not hinder it. The Government is concerned about the present budgetary position of the UK in the Community, and about the way in which its burden will increase as the transitional arrangements come to an end next year unless corrective action is taken.

We are seventh out of nine in terms of GDP per capita in 1980 we could become the largest net contributor to the Community Budget. This would have a damaging effect on the Community as a whole as well as on Britain. The British Government, with the support of the Irish and Italian Governments, has argued that the European Council should make a firm commitment over a limited but fixed period of years, to bring the pattern and scale of net resource transfers attributable to Community instruments into conformity with the Community's objective of bringing about convergence in the economic performance of member states. This would constitute a broad guideline for subsequent decisions by the Council of Ministers.

Although the Community Budget must play its part, national policy measures will remain the main instruments for bringing about convergence in the economic performance of member states. These measures have, however, to be compatible between the partner countries and consistent with a wider strategy for improved economic performance.

It is important to make clear first that in the Government's choice to be made in the coming months not to join a European Monetary System on the basis laid down in Bremen, but to the narrower issue of a particular exchange rate mechanism which is not yet fully negotiated. Some may regard the EMS as little more than an exchange rate mechanism supported by central bank swap arrangements. The Government sees it as much more than that. They believe it was conceived as more than that at Bremen and that it is to contribute to greater stability in the international monetary system.

Thus, although there can be periods when no serious conflict arises, there is the possibility of a conflict between a fixed exchange rate policy and a policy for control of the money supply.

It is a major area of economic controversy whether a higher average exchange rate would cause a loss of exports through reduced price competitiveness of UK goods and services, would increase import penetration, damage the balance of payments and reduce domestic output.

The first question is how far the exchange rate would in fact be higher within an EMS exchange rate regime than outside it. The regime would provide for exchange rate adjustments, so there could be changes over period whether we were inside or out. There is no way

of knowing what difference, if any, there would be in which direction. That would depend on a great many factors.

The Government has every intention of pursuing the same firm counter-inflationary policies whichever way the decision on the exchange rate regime goes. Circumstances could arise in which the exchange rate was lower within the scheme, it is assumed that the purposes of argument that a little higher inside the EMS regime, we then have to consider first, the impact on costs as well as on prices. And second, the sensitivity of UK exports and imports to price change.

A higher average exchange rate may make British goods and services dearer to foreigners, but it will also reduce the cost of British business. It should lead too to lower rates of wage increase without any loss to living standards. The pressure to keep down costs implicit in the higher exchange rate may stimulate cost-saving measures, improve efficiency. By all these routes the loss of price competitiveness may be offset and, over a period, possibly eliminated. Once a virtuous circle of exchange rate stability, lower costs, greater efficiency has been established, the effects of any initial loss of price competitiveness may be removed.

Much depends on the speed with which the beneficial effects move through the system. Similarly, the duration of any benefit to competitiveness through depreciation will depend on the speed with which the resultant cost increases find their way into prices in industries exposed to international competition.

On one view, a substantial part of the benefits to price competitiveness of a lower exchange rate will persist for several years. On another view, the period of substantial price advantage will be only a year or so. The higher exchange rate, relatively high inflationary cost. What seems quite clear is that the benefits to competitiveness from a lower exchange rate come quickly and then decline progressively, while the benefits to a country-inflationary policy from a higher exchange rate come fairly slowly but then build up over a period.

The initial effect of a higher exchange rate is to increase receipts from exports in foreign currency and to reduce foreign currency expenditure on imports. If, however, the effect is to reduce exports and increase imports, this initial improvement in the terms of trade, after an interval, be more than offset, so that the balance of payments deteriorates through loss of competitiveness.

The trade of some countries and in some goods is very much more price sensitive than others. Many imports of food and raw materials may be rather insensitive to price change. Some exports are sold very much more on quality and delivery than on price.

A further very important consideration is that if a falling exchange rate leads to an acceleration of inflation, industry begins to suffer in a great variety of ways. The higher the inflation rate, the more damage competitiveness. Higher interest rates, a demand for increased working capital, uncertainty hindering investment and acceptance of contracts, greater risk of industrial difficulty and diversion of management effort, etc.

The conclusion from all this must be that it is extremely difficult to put figures on the effects of a higher exchange rate with any kind of confidence. Moreover it would be pure guesswork to predict how much higher the rate would be in an EMS exchange rate regime, whether it would be higher or all.

Perhaps a fair conclusion would be that there have certainly been cases where countries have improved their balance of payments over a period where their exchange rate fell because it was no longer in line with the underlying economic realities. It was no longer in line with the recent years, however, the effect of changes in nominal exchange rates seems to have been slower and less certain. In some countries the volume of exports has helped up in a striking way in spite of sharp exchange rate appreciation and lower costs have offset much of the effects of the appreciation. The Government has no doubt that it is essential that it does not regard exchange rate depreciation as a solution to the economic problems still facing the UK.

The Government cannot yet reach its own conclusion on whether it would be in the best interests of the UK to join the exchange rate regime of the EMS as it finally emerges from the negotiations. However, the Government's basic objectives will remain unchanged whatever decision is taken. The Government will vigorously pursue the policies which are necessary for improving growth and reducing unemployment. The foundation for these policies must be an improvement in our industrial performance and victory in the battle against inflation. Only then can we provide a lasting basis for stability of the exchange

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The first question is how far the exchange rate would in fact be higher within an EMS exchange rate regime than outside it. The regime would provide for exchange rate adjustments, so there could be changes over period whether we were inside or out. There is no way

of knowing what difference, if any, there would be in which direction. That would depend on a great many factors.

The Government has every intention of pursuing the same firm counter-inflationary policies whichever way the decision on the exchange rate regime goes. Circumstances could arise in which the exchange rate was lower within the scheme, it is assumed that the purposes of argument that a little higher inside the EMS regime, we then have to consider first, the impact on costs as well as on prices. And second, the sensitivity of UK exports and imports to price change.

A higher average exchange rate may make British goods and services dearer to foreigners, but it will also reduce the cost of British business. It should lead too to lower rates of wage increase without any loss to living standards. The pressure to keep down costs implicit in the higher exchange rate may stimulate cost-saving measures, improve efficiency. By all these routes the loss of price competitiveness may be offset and, over a period, possibly eliminated. Once a virtuous circle of exchange rate stability, lower costs, greater efficiency has been established, the effects of any initial loss of price competitiveness may be removed.

Much depends on the speed with which the beneficial effects move through the system. Similarly, the duration of any benefit to competitiveness through depreciation will depend on the speed with which the resultant cost increases find their way into prices in industries exposed to international competition.

On one view, a substantial part of the benefits to price competitiveness of a lower exchange rate will persist for several years. On another view, the period of substantial price advantage will be only a year or so. The higher exchange rate, relatively high inflationary cost. What seems quite clear is that the benefits to competitiveness from a lower exchange rate come quickly and then decline progressively, while the benefits to a country-inflationary policy from a higher exchange rate come fairly slowly but then build up over a period.

The initial effect of a higher exchange rate is to increase receipts from exports in foreign currency and to reduce foreign currency expenditure on imports. If, however, the effect is to reduce exports and increase imports, this initial improvement in the terms of trade, after an interval, be more than offset, so that the balance of payments deteriorates through loss of competitiveness.

The trade of some countries and in some goods is very much more price sensitive than others. Many imports of food and raw materials may be rather insensitive to price change. Some exports are sold very much more on quality and delivery than on price.

A further very important consideration is that if a falling exchange rate leads to an acceleration of inflation, industry begins to suffer in a great variety of ways. The higher the inflation rate, the more damage competitiveness. Higher interest rates, a demand for increased working capital, uncertainty hindering investment and acceptance of contracts, greater risk of industrial difficulty and diversion of management effort, etc.

The conclusion from all this must be that it is extremely difficult to put figures on the effects of a higher exchange rate with any kind of confidence. Moreover it would be pure guesswork to predict how much higher the rate would be in an EMS exchange rate regime, whether it would be higher or all.

Perhaps a fair conclusion would be that there have certainly been cases where countries have improved their balance of payments over a period where their exchange rate fell because it was no longer in line with the underlying economic realities. It was no longer in line with the recent years, however, the effect of changes in nominal exchange rates seems to have been slower and less certain. In some countries the volume of exports has helped up in a striking way in spite of sharp exchange rate appreciation and lower costs have offset much of the effects of the appreciation. The Government has no doubt that it is essential that it does not regard exchange rate depreciation as a solution to the economic problems still facing the UK.

The Government cannot yet reach its own conclusion on whether it would be in the best interests of the UK to join the exchange rate regime of the EMS as it finally emerges from the negotiations. However, the Government's basic objectives will remain unchanged whatever decision is taken. The Government will vigorously pursue the policies which are necessary for improving growth and reducing unemployment. The foundation for these policies must be an improvement in our industrial performance and victory in the battle against inflation. Only then can we provide a lasting basis for stability of the exchange

There is still a spectrum of current studies of the action needed to be taken to strengthen the economies of the less prosperous member countries in the context of the EMS.

The heads of government stated "such measures will be essential if the zone of monetary stability is to succeed". They gave the Community's Economic Policy Committee the task of producing a report. The results of this work were to form the basis for "decisions and commitments" at the European Council in December.

Our partners agree unanimously that one necessary condition for the system to be effective and durable, is that inflation should be kept at a low level as far as possible, without this having a deflationary effect.

They see the convergence of inflation rates at a moderate level as an integral part of a wider strategy aimed at achieving sustained growth, gradually leading to full employment, a convergence of living standards, and the reduction of regional disparities. They agree that to ensure the success of this wider strategy and to allow all Community members to benefit, there should be greater convergence of economic policies and that the Community's decision-making mechanisms should be strengthened to this end.

The Government welcomes this emphasis on the importance of achieving more convergent performance since there has been some concentration on exchange rate mechanisms during the discussions on the EMS.

Our partners have also recognised that participation in the EMS could pose major problems for the less prosperous countries, however determined the efforts of those countries to tight inflation might be. They might also face long-term problems in reconciling continued participation in the exchange rate regime with pursuit of their goals on growth and employment. So they need Community help to solve these problems. The EMS must be seen to be compatible with the Community's long-term perspective to narrow the gap between the more and less prosperous countries.

The Community Budget is an essential instrument to achieve this. Community policy taken as a whole, including resource transfers through the Budget, must contribute to economic convergence. It certainly should not hinder it. The Government is concerned about the present budgetary position of the UK in the Community, and about the way in which its burden will increase as the transitional arrangements come to an end next year unless corrective action is taken.

## Credit plans

The Government has been among those arguing that credit to a total of 25 billion European Units of Accounts (EUA) should be effectively available to debtor members at the outset. (See paragraph 17 of the Chancellor's memorandum.) It believes that this arrangement would be in accordance with the conclusions of the European Council meeting at Bremen, and would be a desirable underpinning of the exchange rate arrangements.

This is now generally agreed, though there remain differences of view about how to split the total between short- and medium-term credit. There are also outstanding questions on the duration of short-term credit (six or nine months) and the very short-term credit given between central bankers in day to day intervention (30 days or 60 days after the end of the month in which the debt is incurred).

It has been agreed that, while the EMS should aim at reducing the need for frequent realignments of exchange rates, there should nevertheless be provision for realignments by mutual agreement. It has also been proposed that there should be provision for temporary "leave of absence" (control) from the system in exceptional circumstances of an essentially temporary nature.

In the last resort any participating country would be able to leave the system altogether (in the same way that several countries including the UK have left the existing snake). However, little progress has yet been made on a credit system based on the ECU, or on the ECU as a reserve asset or as a final means of settlement. Because the parity grid has been preferred to a "basket" system in the exchange rate regime, the ECU plays only a limited role in determining the exchange rate.

The European Monetary Fund has yet to be designed and established. No element of reserve pooling is yet in prospect. These aspects of the system could be valuable both for the Community and for the international monetary system as a whole. But they remain to be worked out.

Similarly, the UK has seen the EMS as a step towards world monetary stability. It has generally accepted that the EMS must act consistently with the IMF, and is not intended to change the rights and obligations of member countries in the IMF. But the UK would like to see a positive approach to the relationship of the EMS to other main currencies, including the dollar, and to the international monetary system as a whole. There has so far been little discussion of this problem.

Greater convergence in the economic performance of the participants is an essential element in a durable EMS. Convergence cannot be imposed by a particular exchange rate mechanism. It must develop from adequate co-ordination of economic policies. The concerted action programme, now being put into effect, is an example. The Government therefore regards as of critical importance the decision of heads of government at Bremen to commission con-

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## THE WEEK IN THE MARKETS

## Minimum of business

With bargains marked however have been slowly rising either side of 4,000 per day throughout 1978 but margins in the equity market have been under considerable pressure from both wage and mood. A sprinkling of major raw material cost increases. A company news was all that was recent wage settlement has left to stimulate interest. But at added around £10m to costs each quarter and the continuing trend in either fixed Teeside labour problems could interest securities or equities, have clipped a further £10m and the F.T. 30-share index from group figures. In addition ended the week 7.1 points spot naphtha prices have risen higher at 479.9.

## ICI disappoints

Imperial Chemical Industries' third quarter figures were announced to a skittish market on Thursday, and they were judged mildly disappointing. With the shares closing a few pence lower at 356p.

However, the share price started to recover towards the close of trading on Thursday and by lunchtime on Friday was back to 365p, the pre-results level.

Stripping out £22m in exchange losses, the trading result of £105m was not too far below market expectations and reflected general industry improvement from the poor third and fourth quarters of 1977. Group sales totalled £11.55bn in the period compared with £11.56bn in the second quarter and £11.36bn in the third quarter last year. At the end of nine months, pre-tax profits (including exchange adjustments) amounted to £33.8m (£31.4m).

The third quarter is traditionally ICI's weakest; the decline in volume was 4 per cent in the latest period compared with a 7 per cent fall a year ago. Prices

prospects. However, the 1978 pre-tax result is estimated at £480m against £483m earned last year and £540m in 1976.

## After the price war

The jockeying for position continues in the High Street as the price war rumbles on. But it is already clear that Tesco and Sainsbury are doing well. Further evidence of Tesco's gains came on Wednesday when the group announced interim pre-tax profits £3.5m higher at £13.8m. Volume is also running about 10 per cent higher on existing space, and cash takings are up at least 20 per cent in the third quarter. This is a good performance given that the

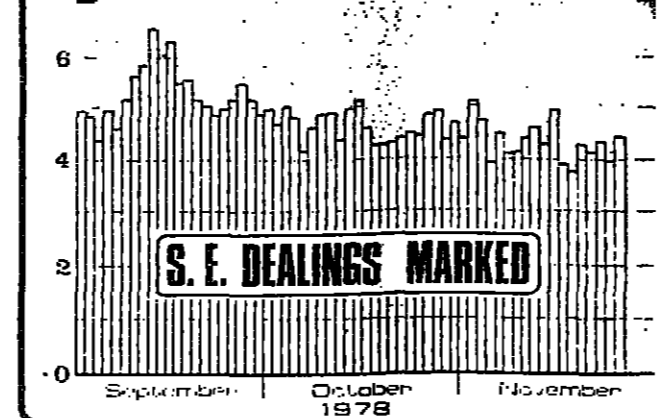
comparison is with a period which was already benefiting well from the launch of Operation Checkout. The figures are put into perspective by looking at Sainsbury's interim figures, which reveal sales volumes up around 18 per cent in the six months to mid-September. Here however, the comparison is with a period prior to the launch of Sainsbury's own Discount 78.

Tesco is now implementing its strategy to change the sales mix in favour of high margin goods, and is selling an increasing amount of meat and fresh fruit and vegetables. Now that net margins have bottomed out Tesco hopes to see a significant upturn in the second half and through next year. Full-year profits could be between £38m to £40m pre-tax, and this might allow Tesco to take advantage of the dividend cover provision, and give its shareholders a dividend increase of more than 10 per cent.

## Courtaulds recovering

After three years of uninspiring figures, Courtaulds may at last be turning the corner. Although first half profits are virtually unchanged at £27.4m, the underlying trend is clearly upwards.

Profits suffered badly from strikes and stock losses in the second half of last year while the latest figures have been hit by the relative strength of sterling, especially against the U.S. dollar. The upturn in consumer spending is now beginning to stimulate both the UK and Continental textile markets, and the



company has plenty of new capacity to be filled; in addition, the policy of closing down loss-makers is continuing.

Courtaulds is anticipating its usual bias towards the second half of the year. However, much will depend on factors such as sterling, the fate of the proposals to reduce EEC fibre capacity and the workings of the Multi-Fibre Arrangement.

At this stage around £42m looks possible in the second half for a full-year total of £70m pre-tax (£52.7m). The longer term picture remains uncertain but in the meantime there is always the prospective 11 per cent yield to give support.

## Metal Box rights

Following Beecham's bumper cash call the previous week, Metal Box coupled Tuesday's interim announcement with a £35.5m rights issue to help finance international expansion.

## Theory bears' picnic

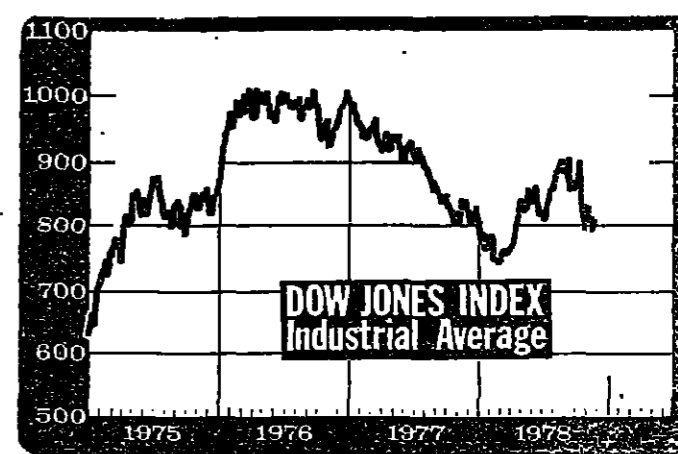
SHRUGGING OFF the stock market placidity which is often evident during the week of the Thanksgiving holiday in the U.S., the optimistic school of market analysts have wheeled out an old friend, Cash On The Sidelines as a good reason for taking an upbeat view of the near term outlook. The picture is one of mutual funds, pension funds and investment trusts piling up vast amounts of cash behind a dam of inhibition which for one reason or another may start to crumble to the advantage of the stock market. In their most fantastic

## NEW YORK

JOHN WYLES

moments, the optimists like to dream of a great wave of cash rolling down Wall Street and carrying the Dow Jones Industrial Average into a great new bull market. For the moment, of course, the optimists would settle for a steady trickle rather than a great wave. They argue that the hole in the dam could be sprung by a sense that interest rates may be close to their peak and that a slowing economy will bode well for curbing inflation and maintaining the fragile renaissance of the dollar.

This morning Citibank led the march towards an 11 per cent prime rate which is in itself an admitted, progress towards an eventual peak in interest rates. But where is the peak, and how long it will take to plant the stamp of a lower rate is still anybody's guess. More



probably, investors will be even more cautious about succumbing to the infectious belief that interest rates are topping out than they did the last time this particular virus swept Wall Street.

The timing then, it will be recalled, was the end of July and the slight fever helped take the Dow to a high of 807.35 from its February slump of 742. But during this heady July to September quarter when stockbrokers travelled to work with a song on their lips, we now learn that mutual fund managers were keeping their heads (for that is how they keep their jobs) when around them many were at times losing theirs.

Two surveys of mutual funds transactions have established that during these three months the funds were selling more stocks than they were buying so that their aggregate holdings were \$45.7m lower at the end of the quarter than they were at the beginning. This obviously was a very much lower net selling figure than the comparable \$466m in the second quarter and \$500m in the first and clearly suggests that mutual fund managers felt unable to sit on their hands during a modest rally.

But their commitment to the market remained cautious because they did not believe that interest rates were near their ceiling and neither did they believe that the Carter Administration had assembled credible policies for dealing with domestic inflation and a runaway dollar. To the extent that the U.S. Government has made progress on both fronts, institutional investor may be a

little more optimistic but the widespread talk of a recession next year and if there is one, the uncertainty as to how severe it will be and how long it will last will keep cash sitting on the sidelines for a few months yet.

Or perhaps even longer. A little over a year ago, this column encountered for the first time The Dow Theory Bear who has re-emerged from hibernation, sniffed the wind and tentatively concluded that the market may offer very thin pickings next year. Dow theorists are an arcane group with high brainy foreheads whose analytical tool is a complicated formulation based on the related movements of the Industrial and Transportation averages. During the week ending October 28 1977, leading Dow theorists opined that a genuine bear was preventing and many were highly dubious about the pedigree of the recovery which started last spring. Barron's weekly business magazine recently surveyed the state of opinion and found that during the last six weeks most Dow theorists have been sufficiently alarmed to indicate that still more damage may be done to the market. One thought it possible that the industrials could plummet to 650 while another, exactly avoiding committing himself to a time frame, was steeling himself for a market between 550 and 600.

Close Change  
Monday 605.61 +7.93  
Tuesday 604.05 -1.56  
Wednesday 607.00 -2.95  
Thursday closed for Thanksgiving  
Friday 610.12 -3.12

## MARKET HIGHLIGHTS OF THE WEEK

	Price Y'day	Change on Week	1978 High	1978 Low
Ind. Ord. Index	479.9	+7.1	535.5	433.4
Exchequer 10% 1983	489	+1	495.5	488
Cedar Holdings	24	+5	24	5
Clarke (Matthew)	150	+10	168	114
Courtaulds	121	+9	131	109
Cullen's Stores	146	+9	153	73
Elliot Gp. of Pborough	18	+3	23	15
House of Fraser	136	+10	177	120
Metal Box	328	+26	384	288
Milbury	62	+8	62	23
Myddleton Hotels	295	+80	295	180
Parker Timber	132	+15	132	97
Sabah Timber	65	+20	69	31
Scott and Univ. Invs.	127	+7	137	85
Sirdar	114	+8	116	50
Stewart Plastics	182	+11	185	103
Utd. Engineering	74	+9	77	24
Wade Potteries	34	+7	35	22
Western Motor	90	+16	130	48
Westfield Minerals	320	+64	335	80

## U.K. INDICES

	Average week to	Nov. 24	Nov. 17	Nov. 10
FINANCIAL TIMES				
Govt. Secs.	48.17	68.21	68.31	
Fired Interest	69.44	69.48	69.29	
Indust. Ord.	475.5	476.3	472.3	
Gold Mines	132.8	134.3	136.4	
Do (E: S Pm)	96.2	96.3	100.5	
Dealings mks.	4,218	4,204	4,194	
FT ACTUARIES				
Capital Gds.	228.19	228.90	227.14	
Consumer (Durable)	201.36	200.47	199.02	
Cons. (Non-Durable)	205.9	205.71	201.81	
Ind. Group	214.54	214.67	212.35	
500-Share	229.50	229.37	225.74	
Financial Gs.	162.61	161.29	159.43	
A1-Share	216.70	216.34	215.51	
Red. Debs.	55.17	55.70	55.74	

## Living quarter by quarter

GOOD CHEER from the chairman of base metals producers to their shareholders has been in short supply for the last couple of years. Even now the companies seem to be living on a quarter by quarter basis, looking for a cent change here or there on market prices to prop up earnings per share.

Since the middle of the year the search has been at least partially rewarded, as Sir James Foots, the chairman of MIM Holdings, a major Australian producer, made clear this week. "But one must be cautious about assuming that this marks

development of a substitute for lead acid batteries and the reduction in the use of lead in petrol.

Both Sir James and Mr. Anderson, however, observed that little new production is coming on stream. This factor, spread over other metals as well, puts existing base metals producers in a position of some strength and, at the same time, gives shareholders who are prepared to hang on a word of encouragement.

"In the case of all metals, existing producers have an advantage over potential new producers since the cost of bringing in new mines is now extremely high when set against current metal prices," Sir James said.

Existing producers have in any case considerable unused capacity. Cominco's 1978 operating rate is between 75 per cent and 80 per cent, and it is clearly cheaper to build up to maximum production and expand an existing operation rather than invest in completely new ventures.

But base metals producers are not the only companies with unused capacity. Rustenburg Platinum, the world's largest producer, reduced capacity at its South African mines by 20 per cent at the end of 1977. Part of this has been re-instated and now demand has built up to the extent that the company can go ahead with an R14m (£8.38m) scheme of further development.

The annual report, published this week, explained how contracts had been signed with the U.S. motor industry in 1972. These contracts required Rustenburg to make available certain amounts of platinum each year. So far the maximum commitments have not been used.

But during 1979 demands are expected to approach and indeed may reach the full entitlement, the Rustenburg directors said. There are no plans to expand production for general industrial and jewellery purposes.

Interest in precious metals like gold has, of course, increased as a reaction to the lot of us in the lead industry exchange markets. At the same time industrial demand has remained firm. This was reflected in the half-yearly figures announced by Anglo American Corporation, the biggest of the South African mining houses.

Net profits in the six months to September were R103.3m (£61.57m) and an interim dividend of 14 cents (8.38p) has been declared. Anglo has been changing its financial year-end to March, so the figures are not strictly comparable with the April-September period of 1977.

But there are certainly indications that the group is on course for a successful financial year. Markets have been strong in the products where Anglo's investment portfolio is concentrated. Over 60 per cent of its income comes from gold, uranium and diamonds.

If the net income is average over then in the most recent half year Anglo was earning at the rate of R17.2m a month. This compares with a monthly average of R18.11m in the 15 months to March, 1978, the group's last full financial period.

But within that 15 months, there were two March quarters and it is in the March quarter that the group's flow of investment revenue is strongest. On

this basis Anglo's income in the second half of the current year will be higher than the figures it reported this week.

But much depends on the markets. There has been no indication of a downturn in diamonds, but there must be some doubt about revenue from the gold mines in view of the sharp movements in the bullion price since the end of October as the dollar has recovered. And it is by no means certain how the market will react to increased U.S. gold sales.

This week the bullion price has been stabilising around \$200 an ounce, closing yesterday at \$201.625. It is not clear whether the price has now found a trading floor after its sharp fall from \$245.125 at the end of October.

If it has found a floor then this would no doubt suit Anglo very well, because it would maintain prices towards the higher end of the range that obtained between April and September.

## TIN OUTPUTS COMPARED

	Oct. 1978	Sept. 1978	Total to date (months)	Same period previous year
tonnes	tonnes	tonnes	tonnes	tonnes
Anal. of Nigeria (tin)	9	162	856 (6)	1,003
Anal. of Nigeria (columbite)	4	22	176 (6)	104
Aokani	129	129	436 (4)	596
Ayer Hitam	207	125	974 (4)	835
Berjaya	217	374	2,245 (6)	2,492
Bisichi Jantar (tin)	4	9	212 (8)	260
Bisichi Jantar (columbite)	4	9	212 (8)	243
CRM Sri Trilok	811	83	1,699 (3)	1,693
Ex-Landa Nigeria	5	9	211 (8)	208
Geopros	86	89	615 (7)	610
Gold and Base (tin)	5	25	222 (9)	238
Gold and Base (columbite)	5	25	222 (9)	5
Gopeng	183	162	1,681 (1)	157
Idris	15	15	172 (10)	15
Kuanting	58	51	236 (7)	283
Kent (FMS)	9	9	102 (11)	424
Killinghill	352	167	333 (1)	333
Kinta Kelas	22	22	247 (5)	268
Kuala Lumpur	22	22	152 (7)	223
Lower Perak	30	28	162 (6)	162
Malayan	286	241	1,107 (1)	876
Pahang	138	137	281 (8)	472
Pengkalen	81	71	81 (1)	101
Petaling	131	121	1,464 (12)	1,387
Rahman	30	73	294 (4)	246
St. Piran	25	24	184 (12)	118
St. Piran-UK (South Creity)	290	236	1,283 (7)	1,340
St. Piran-Thailand	88	124	721 (7)	623
Southern Kinta	145	150	978 (7)	980
Southern Malayan	210	196	178 (4)	721
Sungai Besi	221	174	1,247 (5)	1,101
Tanjong	12	61	137 (5)	196
Tongkah Harbour	38	42	167 (4)	187
Tromps	210	191	2,022 (10)	1,822

Figures include low-grade material. \* Not yet available. Outputs are shown in metric tonnes of tin concentrates.

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If you wish to purchase these units through your Barclaycard account please fill in your Barclaycard number here.

If you want your net income automatically re-invested please tick here ☐

I/We understand that units will be bought for me/us at the offer price ruling on the day of receipt of this application. A contract note showing the number of units purchased will be sent to you. Certificates will be posted within six weeks. I/We declare that I am/we are not resident outside the Scheduled Territories nor acquiring the units as the nominee(s) of any person(s) resident outside those Territories. If you are unable to make this declaration, it should be deleted and the form lodged through your bank, stockbroker or any other authorised depositary. In the case of joint applications all must sign. This offer is not available to residents of the Republic of Ireland.

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## YOUR SAVINGS AND INVESTMENTS 1

Some savings plans are so good they cannot be advertised. Eric Short shows how you can get 15 per cent net on regular savings plans.

## The Royal road to faster saving

ONE OF THE best returns available to most regular savers is now provided by building society linked life policies. At current interest rates some of these schemes are now promising returns of up to 15 per cent a year over four years; yet very few investors appreciate the advantages of combining life insurance with building society savings.

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### BUILDING SOCIETY PLAN v ENDOWMENT

Returns for a man aged 30 investing £10 a month (before tax relief)

Term years	Building society plan		10-year with-profit endowment	
	Net premiums £	Cash-in value £	Net yield %	Cash-in value £
1	100.2	100	—	—
2	200.4	214	—	157
3	300.6	340	—	277
4	400.8	536	15.2	414
5	501.0	700	13.8	540
6	601.2	877	12.8	724
7	701.4	1,069	12.1	911
8	801.6	1,277	11.6	1,116
9	901.8	1,502	11.2	1,339
10	1,002.0	1,788	11.3	1,605

\* On current returns.

expected returns from Royal Insurance's plan linked to the Cheshire Building Society, which has just raised the interest rates it pays to policyholders. Somewhat surprisingly, you get the best yield if you cash in after just four years, the earliest you can wind up the policy without clawback problems. The explanation is that your profit from tax relief is diluted the longer the policy runs after the clawback period ends.

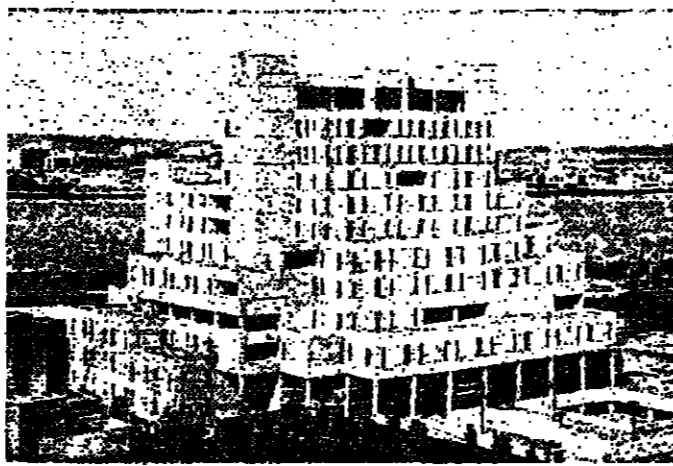
For comparison the table also shows the return you would get from Royal's standard 10-year with-profits policy on the basis of present bonus rates and surrender values. On present interest rates, even the maturity value cannot compete, while the surrender values are far inferior.

On the projected figures, investors, who are interested only in savings, would be better off in the building society plan, with no loss of investment security. But if interest rates drop, the building society yield would also

drop, whereas the bonus rates on the ordinary policy should stand up well. That is the risk the building society investor has to take.

The table is based on tax relief at 16½ per cent. The higher tax relief from next year will enhance further the attractions of the building society plan. So why are these plans not actively marketed? The life companies tend to leave it to the building societies, to keep expenses to a minimum and the percentage invested as high as possible. The building societies claim their branch managers push these plans with varying success. But it is noticeable the high returns are hardly advertised. The explanation may be that similar plans, which were actively marketed in the early 1970s over two-year investment periods, were the primary cause of the introduction of clawback in the first place. And the fear is that if the idea is too successful, the clawback period could be extended.

Equitable Life, linked with Bristol and West, has no such qualms and uses these policies in its school fees planning service for clients. This is an ideal use for such policies.



Royal's headquarters: interest rates reaching for the sky.

## Middlemen take cut

IS IT RIGHT that solicitors, accountants, insurance brokers and other professional people should be paid commission when they place a client's money on deposit with a building society?

Several societies now pay up to 11 per cent commission to agents who in many cases do

as commissions, is hard to see. Free market organisations have at least the constraint that what they pay in commissions may make it more difficult for them to quote keen terms to the public.

With the building societies fixing both their lending and borrowing rates as a cartel, the danger is that the cost of commissions will tend merely to add to pressure for wider operating margins.

There is a strong case for the societies abolishing commissions altogether. The case for investing short to medium term in a building society is usually so clear-cut for the average taxpayer that most of the deposits the movement currently pays commission on would come to it anyway.

### OPINION

little more than fill out a few forms. For a deposit of £10,000—a fairly typical figure these days—that works out at £130.

The major societies, whose generally modest commissions are shown in the table, blame growth-hungry middle rank societies for rocking the boat. Medium-sized societies are accused not only of bidding up commission rates but of being free-and-easy about whom they pay. The majors generally—and the Halifax and Leeds in particular—emphasise that they restrict their commissions to agents who have signed contracts and are in many cases providing sub-branch facilities. Some other societies, it is suggested, pay commission even to people who have no prior arrangement.

The Building Societies Association is now trying to get the top 20 societies to agree to pay no more than a maximum of 1 per cent commission from next January.

Considering that BSA members with a few minor exceptions agree not to compete with each other on interest rates—which are the one area where healthy competition might benefit savers and borrowers—the case for competing with each other on such peripherals

### AGENTS' COMMISSION FOR EVERY £100 DEPOSIT

	£1 (approx.)
Halifax	85p
Abbey National	85p
Nationwide	£1
Leeds	£1.25
Woolwich	£1

There is a special reason for believing that societies' payments should be reviewed in the case of solicitors, especially those who do not provide a sub-branch service. Under Law Society rules, every solicitor should declare significant commission receipts to his clients and give credit for them in the fees he charges. In effect solicitors should not profit personally from such receipts. To avoid the danger that in a few cases the benefit might not be passed on, ought not the societies to give the clients credit direct in extra interest payments or at least draw attention to the existence of the commission in a note in the passbook?

EAMONN FINGLETON

## OFFER TO INVESTORS WITH SHARES WORTH £2,500 OR MORE

Send for details of the M&G Share Exchange Plan by completing the coupon below.

To: M&G Group, Three Quays, Tower Hill, London EC3R 6BQ. Telephone: 01 626 4588. Please send me full details of your Share Exchange Plan.

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THE M&G GROUP

## Passport to cheaper motoring

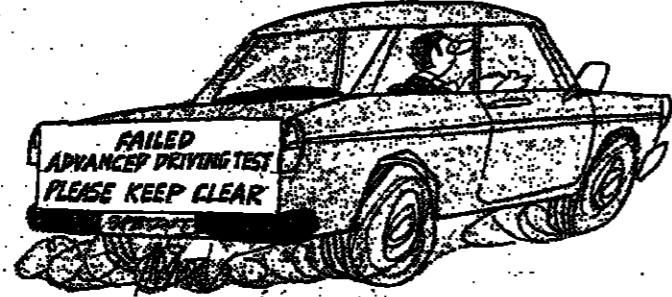
### INSURANCE

TIMOTHY DICKSON

YOU CAN make a hefty dent in your car insurance bill if you can prove you are a skilful driver.

Several insurance companies and syndicates now recognise that if you have passed the Advanced Driving Test you are a good risk and will quote you lower premium rates. The discount can often be worth between 5 and 25 per cent of the full "top-line" premium (the figure on which no claims bonuses are calculated). With insurance rates shooting up by 15 per cent this year and a further 20 per cent rise expected in 1979, that can be worth having.

Brokers are cautious about naming insurers which provide such discounts because your entitlement depends on many variables. An insurer which gives some motorists credit for passing the test may not give you any extra discount if you



are already getting a very keen rate because of your job, age and no claims bonuses. On the other hand, your certificate may count in your favour if your insurer loads against you because it does not like the type of car you drive.

The test is run by the Institute of Advanced Motorists, a registered charity with 90 test centres around Britain.

It costs £9.30 and membership of the institute (the passport to a discount) is £3 a year. Through one of its 100 local groups the institute provides free tuition to would-be advanced motorists.

The pass rate is 87 per cent

for "trained" applicants and 37 per cent for the rest.

The test lasts one-and-a-half hours, involves tricky manoeuvres, and puts you through your paces in heavy traffic, on main roads and down country lanes.

The institute currently examines four categories of driver—commercial, motor car, three-wheeler, and motor cycle.

One big insurance broking concern which keeps tabs on these discounts and has close links with several companies and syndicates offering them is

This year capital values of commercial and industrial properties have moved smartly ahead as rents have continued to rise.

Rental growth has been particularly marked in shop properties where increased consumer spending has led to buoyant conditions. Rental increases have also been noted in the City of London, in particular, and also in other sectors of the property market.

It is our belief that the Save & Prosper Property Fund is particularly well placed to benefit from such increases in rental values. Of its portfolio, 44% is committed to shops; additionally, the fund has recently made a substantial commitment to the City of London office market.

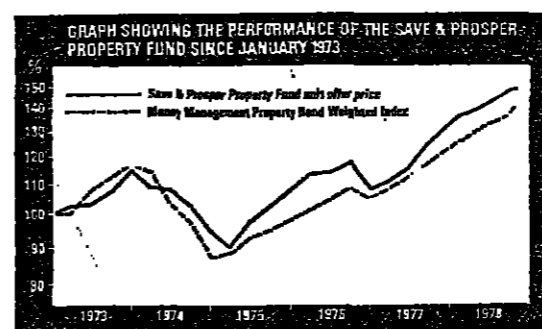
Moreover, of the 61 properties held, 39 have rent reviews between 1978 and 1980, and the income of the fund should therefore be boosted considerably over the coming years.

Rental growth has also reinforced demand from insurance companies and pension funds for prime commercial and industrial property. Indeed, they are continuing their policy of building up their holdings of property to 20%-25% of their assets, despite rising interest rates in the money markets.

This percentage is a proportion that many private investors might also consider appropriate.

### Past performance

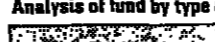
Since the launch in 1971 the fund has performed well, showing a 70.4% increase in the offer price of units to 22nd November 1978. Performance against the Money Management Property Bond Weighted Index, which was started in January 1973, is shown opposite.



### Investment policy

Our policy has always been to invest in medium-sized prime properties in carefully selected locations, since such properties are usually in demand when economic conditions are good. Additionally, in difficult times they tend to remain more marketable.

The fund now has a well balanced portfolio of 61 properties throughout Britain, and is currently valued at over £33.9 million.

Analysis of fund by type of property							
	31%*	15%	10%				
Offices		Industrial	Cash				
* Includes 2.1% development commitment							
Analysis of rent reviews		Date of rent reviews					
Type of property	Number	1978	1979	1980	1981	1982	After 1982
Offices	42	12	8	6	5	5	4
Industrial	19	2	1	2	1	2	3
Cash	8	2	1	3	2	—	—

The fund's managers are advised by Healey & Baker who specialise in shop, office and industrial property throughout Britain. The properties are independently valued at regular intervals by Cluttons, Chartered Surveyors.

### About Save & Prosper

Save & Prosper Group was founded in 1934 and in addition to being Britain's largest unit trust group is a major force in the life assurance, pensions and annuities field.

At 1st September 1978 the group managed £950 million on behalf of more than 700,000 investors.

### 5% p.a. free of tax at the time

If you invest £1,000 or more you can withdraw up to 5% of your initial investment each year for 20 years without giving rise to any liability to tax during the period. This is a feature of particular interest to higher-rate and additional-rate taxpayers. Further details on the tax position are given below.

In using this facility you should bear in mind that any rate of withdrawal that exceeds the growth rate of your investment will result in a decline in the value of your investment.

### How to invest

A lump-sum investment in the Property Fund is made through the medium of a single premium life insurance policy—the Save & Prosper Investment Bond. You can invest £250 (£1,000 if using the Withdrawal Facility) or more by purchasing an Investment Bond linked to the Property Fund. To invest now, simply complete and return the coupon below, together with your cheque. Once your proposal has been accepted we will send you a policy document within ten days. The offer price of units in the fund on 22nd November 1978 was 170.4p.

You can invest in the fund on a regular basis and also obtain valuable tax relief. For further details please contact your usual adviser, one of our local branches, or Customer Services at the address below.

## Invest in the top performing gilt-based fund and obtain 12.2% p.a. current gross yield

Since its launch in February 1974, the Lloyd's Life Option 5 High Yield Fund has been the top performing fund of its kind, according to statistics in Money Management Magazine, October 1978. The offer price has increased by 63%, and the current gross yield of 12.2% is more than enough to cover a 5% per annum cash withdrawal (after tax and charges).

The preferential tax treatment of life assurance bonds allows even 98% tax payers to withdraw 5% of their original investment, free of any immediate liability to tax, each year for a period of twenty years. Lloyd's Life considers the Option 5 High Yield Bond to be ideal for any investor who requires these tax deferred withdrawals.

The Fund comprises:	
British Government Stocks	83%
Other Fixed Interest Securities	7%
Cash	10%

When you encash your Bond, any profit made may be subject to higher rate tax or investment income surcharge (not basic rate tax). Lloyd's Life will be pleased to advise further.

# Lloyd's Life

The Company formed by Lloyd's of London, the world famous Insurance Institution

If you have £2,000 or more available for investment and would like details of the Option 5 High Yield Fund, send the coupon to:

Lloyd's Life Assurance Limited  
20 Clifton Street, London EC2A 4HX  
Telephone: 01-247 7699

Name \_\_\_\_\_

Address \_\_\_\_\_

Telephone Number—Home \_\_\_\_\_

Work \_\_\_\_\_

Name of Insurance Broker (if any) \_\_\_\_\_

### EVERYTHING ELSE YOU SHOULD KNOW

Unit pricing: The Property Fund is divided into units which are normally valued fortnightly, though more frequent valuations can be made if necessary. The offer price is the price at which units are allocated to your Bond and the bid price is that which determines the cash-in value of your Bond. The number of units allocated to your Bond will depend on the offer price ruling on the day your application is received. All net income received by the fund is automatically reinvested to increase the value of units.

Age at death	Percentage of the bid price of your Bond payable on death
Up to 35	200%
36	225%
37	250%
38	275%
39	300%
40	325%
41	350%
42	375%
43	400%
44	425%
45	450%
46	475%
47	500%
48	525%
49	550%
50	575%
51	600%
52	625%
53	650%
54	675%
55	700%
56	725%
57	750%
58	775%
59	800%
60	825%
61	850%
62	875%
63	900%
64	925%
65	950%
66	975%
67	1000%

Charges: There is an initial management charge of 5% plus a rounding adjustment (not exceeding the lower of 1p or 1%) which is included in the offer price of units. There is also an annual charge of 1% of the value of the fund to cover life insurance and administrative costs. The costs of property management, valuation and other expenses of the fund, including buying and selling properties, are borne by

the fund. We also reserve the right to amend the policy benefits, if necessary, as the result of any law payable under the Policyholder Protection Act.

Current tax position: You have no personal liability to capital gains tax as this is allowed for in the price of units. Also you will have no personal liability to basic rate income tax in connection with your Bond, either while it is in force or when you cash it in. There may be a liability to higher rate and/or additional rate tax if you are, or become liable to these taxes during a year in which you cash in your Bond, or on your death.

Withdrawal facility: Basic rate taxpayers will have no liability to income tax on any withdrawals. Higher rate and additional rate taxpayers may withdraw up to 5% of their original investment each year for 20 years without giving rise to any liability to these rates of tax during the period. Such withdrawals will however, be taken into account in calculating any liability to these taxes when the Bond is eventually cashed in, or at death. Payments are made half-yearly on the last day of the month you select.

Switching facility: At any time you may switch your investment from the Property Fund to one of 22 other Save & Prosper Group funds, at low cost, and without incurring any personal capital gains tax liability. Full details of this valuable facility are given in the booklet that is sent to you with your policy document.

### PROPOSAL FOR AN INVESTMENT BOND LINKED TO SAVE & PROSPER PROPERTY FUND

SAVE & PROSPER INSURANCE LIMITED 4 GREAT ST. HELENS LONDON EC3P 3EP TEL: 01-554 8899

Registered in England No: 322228. Registered office as above.

1. I wish to invest \_\_\_\_\_ in a Save & Prosper Investment Bond linked to the Save & Prosper Property Fund. I enclose my cheque for this amount made payable to Save & Prosper Insurance Limited.

2. Name of Proposer in full Mr/Ms/Miss \_\_\_\_\_

First name(s) \_\_\_\_\_

Surname \_\_\_\_\_

3. Address \_\_\_\_\_

4. Date of birth \_\_\_\_\_

5. During the last three years have you suffered from any serious illness or undergone surgery? If yes, please give details and dates.

6. Name and address of your usual doctor \_\_\_\_\_

Signature \_\_\_\_\_

Date \_\_\_\_\_

Agent's Stamp \_\_\_\_\_

448/PT/1

SAVE & PROSPER GROUP

## YOUR SAVINGS AND INVESTMENTS II

## Waiting for Wall Street

AFTER A terrifying tumble last month, American shares seem to have found their feet again — for the moment at least.

The panic that took the Dow-Jones Index from its high of 785 in September to 785 last week is a warning of the risk involved in investing in a country with major economic problems which still have to be sorted out. But the investor who tries to wait for the perfect moment usually waits too long.

There are plenty of reasons for being wary of Wall Street in the short-term. America's inflation is still not under con-

## Opting to hedge your bets

## INVESTMENT

JAMES BARTHOLOMEW

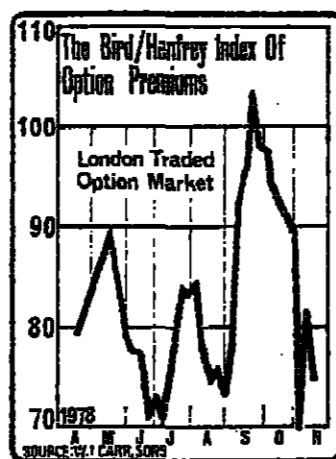
THE TRADED option market has been miserable since the Inland Revenue confirmed two months ago that certain dealings by pension funds would be liable to tax. Unlike the rest of us, pension funds are not used to the idea of paying tax. They withdrew their custom. The result is that last Monday, turnover reached an all time low of 199 contracts in a day.

The tax treatment of individual is much harsher than that of pension funds. But even for the private investor there are certain dealing strategies which do not fall foul of unreasonable taxation.

The major tax problem is that if you make a gain from buying and selling a traded option you will probably have to pay capital gains tax on a larger amount than you have actually made. This is because the Inland Revenue depreciates the option on a "straight-line" basis over its life. It is the depreciated value at the time you sell the option that will be used in calculating your "gain".

In the Revenue's eyes the "cost" of an option sold towards the end of its life will be negligible and you may sell it for what is regarded as profit whereas it is in reality a loss. Hence you can face tax on a loss.

The most attractive strategy for a private investor is to sell to someone else an option to buy shares which you hold. According to W. I. Carr, the stockbroker who charts option values, the premiums paid for most options are higher than in theory they should be. The graph (above) shows the progress of the market since it



started in April. When the index is over 70, options are higher than Carr's computer says they are worth — so it has been more sense to sell options than to buy them. The index is named after the two analysts at Carr's who devised it.

If you want to make money out of covered options — that is, options you sell granting someone the right to buy shares in your portfolio — it is best to make the exercise price either today's share price or a higher one. Say you have shares in BP standing at 91.4p. For 41p you could sell someone the right to your shares at 95.0p anytime up to next April.

This strategy would make sense if you want to hold on to the shares but do not expect them to perform brilliantly over the next five months. It is a way of making money out of a dull market.

Unlike other uses of options, this strategy is highly conservative and actually reduces your risk. If BP suddenly fell 100p, you would have 41p compensation. But, by the same token, if the shares rocketed, you would miss out on the fun. From a tax point of view the strategy is usually trouble-free. As long as you let the option expire or allow the shares to be

called away, you will only be liable to capital gains tax in a way that everybody would agree was fair.

A variation on this strategy is a "bear spread." Still expecting the shares to be stable or fall, you again write an option at today's share price or above it. But this time you do not own the underlying shares. Instead you buy an option to buy the shares at a higher exercise price on the same date. This means that if your neutral/bearish view is confirmed and the shares rush up, you are protected against a large loss.

The tax on this transaction is less fair. The money spent on the protecting option will normally not be allowable. But this option should be inexpensive so the tax loss foregone will not be great.

With both these strategies, the investor has little flexibility. The only way most private investors can gain room for manoeuvre is actively to buy and sell "out of the money" long dated options — that is, options where the exercise price is above the current share price. If these are held for only a few months then the effect of the wasting asset tax treatment is not severe.

You may feel that traded options are complicated enough without having to consider tax implications at every turn. In which case it is possible to cut the Gordian knot and ask the tax inspector to treat you as a dealer and any profit you make will be treated as income. Otherwise one can set up a dealing company. But for most people this sort of drastic action is not worthwhile.

In any case there is some reason to hope that the next Finance Act will change these laws anyway. Tax inspectors do not like the current complexities any more than the rest of us.

In this final extract from his new book on alternative investment, Robin Duthy tells how you can make money collecting rare books if you have an eye for literary fashions.

## Judging a book by its cover



Poor showing: Shaw wrote too much

BOOK PRICES fluctuate according to literary taste and the fortunes of a nation's economy. Until recently American buying, particularly by libraries, was a major support for English language material. But since the American recession a few years ago, library spending has in many cases been cut and private collectors have also been hit.

Some of the biggest price falls have been in 16th and 17th century Bibles but many modern first editions have also suffered.

This has always been a risky sector for the investor because the literary world operates like a team of con artists performing endless ruses on the work of dead authors as well as on preliminary vivisections, pausing from time to time to announce a revised verdict. The revised verdicts mean changes in status, popularity and so on.

But it is also a more exciting field in which the buyer can back his own judgment. Although first edition runs of established and even many unestablished writers are not so long that any real scarcity must lie a long way in the future.

## Correspondence

The last 30 years have shown a steady growth in the values of Thomas Hardy, T. S. Eliot, Ezra Pound, James Joyce and Yeats, Hemingway and Faulkner. A disappointing showing has been made by Bernard Shaw, partly because he wrote so much, partly because the first editions of his works were themselves large and partly because the letters of a vast correspondence help to sap the appetites of Shaw specialists. Unworthy Shaw specialists (Galsworthy and Kipling) have been discounted since 1950, not sur-

prisingly since their work enjoyed an enormous vogue in the 1930s which has not been equalled since. The literary coroners have been able to announce more favourable findings in the cases of E. M. Forster, Conrad and George Eliot, whose works have increased in value strongly during the last 10 years.

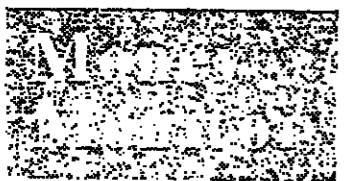
D. H. Lawrence and T. E. Lawrence have both in their different ways been cult figures. There was a surge of interest in D. H. Lawrence's work following the Lady Chatterley's Lover trial in 1959 but has since shown a below-average rate of growth. T. E. Lawrence values seem to fluctuate with the historical status of his Seven Pillars of Wisdom. As researchers come close to proving that large sections of his magnum opus were hallucinated, Lawrence naturally loses status and his cult following tends to thin out.

## Immaculate

Each writer and even each book he has written has a price-history for which detailed, although often conflicting, explanations may be offered. But whatever justification there may be for a writer's rating in the literary world, the collector's now show for the condition of books has become obsessive and is tending to become ever more so. The Stockhausen collection sold in America in 1975 was famous for the immaculate condition of its books and some of the prices realised were four times higher than the next best price for the same volume ever recorded. In 1977, to establish which, children's books out of the annual Willows were auctioned with their own judgment. It would have been quite difficult to have been quite difficult to realise for seven times the price 20 years; in other words, those realised for a comparable copy without the dust-jacket. In this becoming classic, and begin case it was not the general condition of the book but the humble dust-jacket that accounted for the difference in price and the absurd situation was reached where the book clude Chinese ceramics, coins, diamonds, English silver, fire arms, gold, modern prints, stamps and French wine.

Other investments covered in Michael Joseph's at £8.50. The book clude Chinese ceramics, coins, diamonds, English silver, fire arms, gold, modern prints, stamps and French wine.

Taste has recently swung



## Paying those hefty bills

INFLATION has caught up with the bank's convenient Bank Giro system for paying household bills.

The system allows you to pay electricity, gas, credit card and other routine bills at any bank branch. You just fill in a Bank Giro counterfoil — which comes as part of most official bills these days — and hand it over to the bank with your payment either in cash or by cheque. The beauty of the system for aficionados is that by saving up several Giro bills to be paid at one time you not only save shoe leather but you can cut your bank charges by doing the transaction with one cheque.

The problem arises where the total amounts involved come to more than £50 (and increasingly these days they do). Unless you use the bank branch where you have your account, your cheque may well be refused. The reason: the confused legal position over who should carry the can if your cheque is not honoured.

For total payments under £50 the cheque guarantee system provides the safeguard. The transaction is treated as if you first withdrew cash on your guarantee card and then handed over the cash in payment.

## BIBA's new Ombudsman

IF YOU ARE not satisfied with the service provided by your insurance broker, the British Insurance Brokers' Association will help sort out the problem. At least that is my interpretation of a press release this week announcing the appointment of Charles Hall as BIBA consumer relations officer, writes Eric Short. The press release stated: "His responsibilities will primarily be to deal with requests for help or complaints from the public."

But further inquiries reveal that Mr. Hall will not arbitrate in disputes over claims or whether the client has been sold the right kind of contract — two major causes of complaint. My impression is that his main function, as far as the public is concerned, will be to lean on slow-paying insurance companies on behalf of brokers who do not have the muscle on their own.

Most BIBA regions have, in any case, already appointed consumer affairs officers to deal with complaints. So it may be better to have your grouse investigated locally.

## Nation's Life's non-claimants

HUNDREDS OF policyholders who invested with the failed life company, Nation's Life, are missing out on an early Christmas present because they have not registered a claim with the liquidator Mr. Gory Weiss.

## Cambridge entry stakes

## EDUCATION

MICHAEL DIXON

THE UPPER classes have this year generally strengthened their upper hand over the entry to Cambridge University which, by repute, is the hardest to get into.

Families in the "top four" kinds of occupation — administration, management, and professional and technical work — constitute only 16 per cent of the population. But the share of Cambridge bachelor-degree

admissions taken by children from such families, apparently went up from 68 per cent last year to just over 70 per cent this autumn.

Moreover, as the accompanying table shows, the children's "success rates" — the percentage of applicants who were accepted by the university — were better than the rates of youngsters from families in other types of non-manual jobs, and in agricultural and manual work.

However, while the success rates of boys from independent and the gradually disappearing direct-grant schools held their 1977 lead in the second section

of the table, both were marginally less successful this year. Boys from the Scottish and Irish category improved by 4.7 to 46.8 per cent, and those from English and Welsh State schools by 2.8 to 42.8.

Among girls, Scottish and Irish schools jumped from 25.2 to 35.4, and State schools south of the Border from 25.3 to 29.3. At the top, independents rose from 35.6 per cent last year, to take the lead from direct-grants which declined from 42.7.

The subjects section shows Classics as still far and away the bet bet. But for boys, at least, the reputedly easy option of theology has fallen from second to sixth place.

(All figures show the percentage of people accepted out of total applicants in each category)

## (A) Best bets in choice of family background:

MEN	WOMEN
Parental occupation	Parental occupation
Professional and technical	Professional and technical
Administrators and managers	Administrators and managers
Overall average	Overall average
Other non-manual	Other non-manual
Manual and agricultural	Manual and agricultural

## (B) Best bets in choice of schools to go to:

MEN	WOMEN
Type of secondary education to Advanced level	Type of secondary education to Advanced level
Independent	Independent
"Direct Grant"	"Direct Grant"
Scottish and Irish	Scottish and Irish
Overall average	Overall average
State-maintained England and Wales	State-maintained England and Wales
Further education colleges	Further education colleges
Other and overseas	Other and overseas

## (C) Best bets in choice of subject to apply for:

MEN	WOMEN
University subject	University subject
Classics	Classics
Mathematics	Mathematics
Mathematics with physics	Mathematics with physics
History	History
Archaeology and anthropology	Archaeology and anthropology
Modern and medieval languages	Modern and medieval languages
Theology and religious studies	Theology and religious studies
Natural sciences	Natural sciences
English	English
Overall average	Overall average
Law	Law
Engineering	Engineering
Geography	Geography
Philosophy	Philosophy
Oriental studies	Oriental studies
Economics	Economics
Music	Music
Architecture	Architecture
Medical sciences	Medical sciences
Veterinary medicine	Veterinary medicine

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## MOTORING/GOLF



The Opel Senator: top executive transport in the BMW and Mercedes class.

## Try a little luxury

BY STUART MARSHALL

OPEL'S latest luxury cars, the Senator and its coupe derivative, the Monza, can hold up their heads in select and expensive company.

At £9,500 the Senator can hardly be considered a budget-priced car. But comparing it with even more costly cars like the BMW 720, which costs £12,094, or the £12,749 Mercedes 280SE, is not unrealistic. Nor is the result unflattering to the Opel.

The Monza really has no direct equivalent. It is a visually exciting coupé, with two passenger doors and a monstrous hatchback opening on to a large, carpeted boot. Despite its sweeping lines, it is a proper four- or five-seater car. The back seat is easy to enter and leave because the doors are so wide they leave a big gap between the front seat backrests and the body pillar. And you don't fall over the seat belts when getting into the back of the Monza; an extension holds them out of the way. A second extension allows a petite woman to drive belted up without the webbing rubbing on the side of her neck. Other manufacturers please copy.

Although they look quite different, underneath the sheet metal the Senator and Monza are almost identical twins. They have 3-litre, six-cylinder engines with fuel injection, developing 132 horsepower at 5,500 rpm. Automatic transmission is standard. Only the Monza is offered with a four-speed manual alternative for the same price.

Power steering, disc brakes all round and fully independent

suspension are all part of the Senator/Monza package. The Monza looks smaller, but it is only half an inch shorter in wheelbase and the difference in overall length is 5 inches. The 15.4 gallon tank holds a gallon less than the Senator's. Performance is marginally better. In normal use you would hardly notice any difference, but a stopwatch shows the automatic Monza takes 10 seconds to reach 60 mph from a standstill against the Senator's 10.5 seconds. Its 130 mph maximum is just 3 mph higher. Fuel consumption is 22-24 mpg on a journey.

What matters much more to business motorists than these trifling differences is that both cars are superbly silent. Except when accelerating hard, the engine can hardly be heard. There is a whisper of wind noise at cruising speeds and a notable lack of road roar, regardless of surface. What all this adds up to is that in either car, the radio volume you set in town is still satisfactory on the motorway.

Both cars handle extremely well. They corner elegantly at high speeds and remain well balanced when pressed hard on wet or dry roads. The Monza is the better of the two, however, and that is simply explained. It has Pirelli P6 ultra low profile tyres, whereas the Senator has radials of more conventional cross-section. As always, these tyres make a good car better.

Ride comfort is unaffected but they sharpen the Monza's steering response and let you swing along winding roads just that little bit faster.

The big Opel's good manners extend to smaller things, too.

Both cars fire up instantly on frosty mornings without so much as a dab of the accelerator pedal. Their transmissions are smooth to the point of being self-effacing in the way they change up or kick down. The front seats are adjustable for reach, tilt and height. All the instruments are easily seen; the exterior mirrors are adjustable from inside. The heating and demisting starts working within a few hundred yards and keeps the front door windows clear of mist.

The velour trim, velour-matched carpets and discreet touches of woodgrain all help to create the right environment for a driver who may have to grapple with business problems on a journey. And the silence is truly golden. About the only criticism worth making of the interior is that the windscreen pillars are on the thick side and the tinted strip along the top adds unwanted gloom to a dull morning.

Finally, a word of comfort for any business motorist who would like a Senator or Monza but whose company secretary says "no" because they are too dear and foreign made. Almost the same cars, though with 2.8-litre carburettor engines, manual transmission and fractionally less luxury, can be had as Vauxhall Royale. They are cheaper, at £7,956 for the saloon, £8,249 for the coupé.

And, who knows, you might even get away with calling them British.

Your weekend: E. Austria 24.8, Belgium 22.5, France 8.6, Italy 1.44, Greece 9.25, Spain 13.25, Switzerland 3.31, U.S. 1.95. Source: Thomas Cook.

TWO GOLFERS from Indonesia with the unlikely names of Suparman and Sumarno will tee-up some time next Thursday here in Kauai, on the glorious Princeville Makalei course, in the certain knowledge that they will be locked in battle with the Yugoslavians to avoid finishing last in the 26th World Cup two-man team championship.

Sumarno else may beat them for that doubtful honour. But precedent decrees that these two nations are unlikely to finish much higher in an event that will bring together golfers from 48 countries in this garden paradise. The Indonesians last competed in 1959, when Salim and Slamudin finished second and last respectively, each breaking 90 but once. But Yugoslavian Mirko Yurt actually took 407 shots in this 72-hole championship in Bangkok, to finish last in 1975. The significant fact, however, is that this gentleman improved considerably to take only 391 shots in Manila last year, when finishing last once again in a 98-strong field.

That is what the World Cup is all about. It seeks merely to spread goodwill through golf, and, to my certain knowledge, achieves the aim of the

sponsoring body, the New York-based International Golf Association, admirably each year in various exotic locations around the world.

Alas, Waterville in Ireland's Co. Kerry lost the event in July this year because politics reared its head and the country in question refused to allow the championship to be staged there because the South Africans planned to take part. There has been a token protest against their inclusion here in Hawaii, but hopefully it will amount to no more than that. But an event whose winners include such names as Ben Hogan, Sam Snead, Arnold Palmer, Jack Nicklaus, Lee Trevino, Gary Player, Peter Thomson, Roberto de Vicenzo, and Mr. Lu will be missing many of its more familiar leading lights this year.

For instance, Seve Ballesteros, who has gained more prestige in his native Spain from winning the last two World Cups in Palm Springs, California, and Manila, cannot apparently afford the time to help his country defend the trophy. Actually,

every player is provided with a return airline ticket, a week's free lodgings, and two meals per day plus \$700 pocket-money. Similarly, Brian Barnes has said that he cannot afford to leave his Sussex residence to represent Scotland.

In addition, because their domestic circuits are in full swing, Australia will be represented by youngsters Greg Norman and Wayne Grady, while the Japanese, even had the temerity to suggest sending an amateur team.

The IGA, which is sponsored by American Express, Pan Am, International Telephone and Telegraph, Times Inc., Colgate-Palmolive and Rothmans International, told the Japanese politely but firmly that this was unacceptable, and earlier this

week Norio Suzuki and Shigeru Uchida were nominated by the Japanese PGA—a quietly formidable combination.

But the Americans, who have won the event no less than 13 times since it was launched in 1933, are once again odds-on favourites. They are represented by their Open Champion, Andy North, and PGA champion John Mahaffey, neither of whom finds it anything but a considerable honour to represent his country.

Many years ago, in 1858, the Irish, represented by Harry Bradshaw and Christy O'Connor, won the World Cup in Mexico City. Bradshaw was only beaten by that great Spanish rare delirium.

The 180-yard third on the Ocean course, played downhill to the edge of Hanalei Bay, has been immortalised by photo-individual. Since then, the British and Irish have never the seriously threatened, and it is about time they did. In Howard Clark and Mark James, England have two worthy representatives, as have Scotland in Ken Brown and Sam Torrance. "Paradise" is certainly no

exaggeration for this location when describing the marvellous three loops of nine holes here, simply and aptly named Ocean, Lakes and Woods. The first two will constitute the World Cup course, which will play 6,896 yards, par 72, along lovely cliff tops with the Pacific roaring noisily below, and precipitous peaks and rain forests providing a most dramatic backdrop.

Robert Trent Jones Jr. has created another masterpiece here, which I first sampled with delight six years ago before it had matured. That it has done so and become the best-conditioned course I have seen for some time is due mainly to the expertise of a Texan agronomist, Jim Eagle, whose love affair with good grass has turned a disaster area into a rare delight.

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## A meeting in paradise

## GOLF

BEN WRIGHT  
HAWAII, Nov. 24.

swing, Australia will be represented by youngsters Greg Norman and Wayne Grady, while the Japanese, even had the temerity to suggest sending an amateur team.

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## Afloat in the sun

THOSE who are already staunch cruise addicts will need little telling from me that this can be one of the most effective ways of defeating the winter. For the rest, the choice between a few days' mini-cruise to Scandinavia and a 90-day voyage, with all the permutations in between, may be dazzling and/or confusing. And, to be realistic, not everyone makes the ideal cruise person.

Obviously the more active or more sociable traveller is the one who will get the fullest value for his or her money, since the purpose of cruise personnel is to keep you happily occupied or entertained most minutes of the day. But you have the choice of participating in everything or nothing, and there are few ships on which the more self-sufficient won't also find quiet corners of deck hardly ever visited by anyone else. It's a wonderful way of seeing a lot without the repetitious chore of packing and unpacking, and with the knowledge you will be pampered every nautical mile of the way.

Cruise costs (excluding travel

to port of embarkation) range from a minimum of about £15 per person per day. But two or three times that figure is more realistic for a berth in a double outside cabin with private facilities. This, of course, covers not only the voyage and "toll board," but an often lavish programme of entertainment and a host of extras, such as an almost constant supply of things to sip or nibble. The only main additional expenses are those at the bar, personal items like laundry, and optional shore excursions.

## TRAVEL

SYLVIE NICKELS

cost, two obvious points to look out for are the type of cruise and the ports of call. Flycruises, for example, have the advantage of getting you to the sun quickly, and the luggage restrictions on the flight are no great handicap when packing for warm weather areas. Some people, however, still prefer the ease of boarding at a UK port. If you have an exploratory turn of mind, you should check that ports of call are frequent and varied enough to suit you.

There are a couple of perhaps less obvious points to bear in mind. With the tremendous increase in package arrangements combining not only air travel with complete cruises or

sections of them, but also with various land arrangements, quite a few ships or sailings may carry a proportion of sizeable groups, which does not suit all independent passengers.

The shipping company or your travel agent should be able to give guidance on this.

Second, the main national content of the passenger list can make a big difference to the mood of the cruise. I mentioned a few weeks ago how a British accent won me a host of instant friends on board Holland America Line's Veendam in the Caribbean last winter when the passenger list was predominantly North American.

On the whole, the Americans enjoy a chummy approach to the whole cruise programme, and their shore excursions are heavily weighted towards shopping. This applies especially to cruises out of U.S. ports. On another HAL voyage out of Singapore on the Prinsendam cruising Indonesian waters (now the only ship on this circuit), the Americans, like the Europeans, travelled a long way to get there, and their priorities were quite different. This winter, for the first time, HAL are offering four post-Prinsendam cruise excursions to the People's Republic of China.

HAL is one of the leading operators in the Caribbean. Other companies with substantial programmes in that area are P & O, Cunard, Royal Caribbean, Norwegian Caribbean, Carnival Cruise Lines and Costa Line.

he saw that the finesse was unnecessary. He played the King, and when East failed to follow, he threw West in with another heart, and made his diamond King after West had cashed his Ace.

But this declarer had a blind spot:

N.  
♦ J 10 5  
♦ 10 8 2  
♦ Q 4  
♦ A K 10 5 3

W.  
♦ 8 7 2  
♦ A K Q 9  
♦ 10 8 3  
♦ 8 7

E.  
♦ 9 3  
♦ J 6 4  
♦ K 7 5 2  
♦ J 9 6 4

S.  
♦ A K Q 6 4  
♦ 7 5 3  
♦ A 9 6  
♦ Q 2

North dealt at love all, and after two passes South bid one spade, and rebid two spades after his partner's response of two clubs. North now raised to three spades, and South went four.

West cashed three heart winners, and then switched to the diamond Knave. South put up dummy's Queen with no real expectation that it would win. East covered, and the Ace won.

Now the declarer decided to run all his trumps, hoping that the forced discarding might embarrass the opponents, and then to play on clubs. If the suit broke 3-3 or the Knave fell on the second round, he would make his contract. Neither defender was under any pressure from the five rounds of trumps, the clubs did not break and the Knave did not fall, so the contract was defeated by one trick.

The declarer, who was quite a reasonable player, failed to spot the correct line. After taking his Ace of diamonds, he should draw two rounds of trumps with the Ace and Knave. He then cashes the club Queen and King, ruffs a club with the King of spades, and returns a trump to dummy's ten. This draws West's last trump and enables South to cash King, ten of clubs, and claim ten tricks.

Of course, if either defender shows out on the second round of spades, the declarer draws the trumps, and relies on a favourable lie of the clubs.

## BRIDGE

E. P. C. COTTER

TODAY WE shall discuss two deals from sessions of rubber bridge. In the first the declarer's vision was clear:

N.  
♦ K Q 8 4  
♦ K 8 6 4  
♦ Q 5  
♦ 4 3 2

W.  
♦ 10 6 3  
♦ J 7 2  
♦ A J 10 7 4  
♦ 10

E.  
♦ 8 7 5  
♦ C 9 5  
♦ S 8 6 2  
♦ K Q J 9 7

S.  
♦ A J 2  
♦ A 10 3  
♦ K 9 3  
♦ A 8 6 5

South dealt at game all, and opened the bidding with one no trump, to which North replied with a Stayman enquiry of two clubs. This was doubled by East to request a club lead from his partner. After South's response of two diamonds North bid three no trumps, and all passed.

West led the ten of clubs. East overtook with the Knave, and continued with the King. This was taken by the Ace. West throwing a diamond, and South studied the position.

It was clear that if East had the diamond Ace, there was no hope, so South decided to play on the assumption that West had that card, and at once led the three towards the table. West, of course, had to play low, and dummy's Queen won.

That was the first hurdle over. The declarer now cashed four spade winners, discarding a club from hand, while West threw the ten of diamonds, and East the six.

Now came dummy's four of hearts. East produced the five, and South's ten lost to West's Queen, a desperate false card. West had to return a heart, so he led the two, and East's nine drew the Ace. The declarer now led the three of hearts, and though he was pretty sure that West's hand pattern was 3-4-5-1 and that the eight of hearts could be successfully finessed,

## CHESS

LEONARD BARDEN

IT IS a sobering thought for Western hopes to challenge Soviet supremacy at chess that the USSR already has a player lined up to become Anatoly Karpov's eventual successor in the late 1980s or early 1990s. He is Garry Kasparov, who won the USSR under-18 championship at age 13 and who now, at 15, has the best results of any player of his age except Fischer and Mecking.

Kasparov has been coached at former world champion Mikhail Botvinnik's chess school, where Karpov also gained advice and experience. Botvinnik has already declared that he regards Kasparov as his best-ever pupil—implying that he is a brighter talent than Karpov—and boldly commented that "the future of chess is in the hands of this boy."

The USSR has also for some years had a natural successor to Nona Gaprindashvili in 17-year-old Maia Chiburdanidze, but this young girl's achievement in playing right through the qualifying competition and then defeating Nona 4-1 in the championship match suggests that she is likely to become the best woman player ever.

Given that over 20 or 30 boards British juniors would probably hold their own with the Russians, why do the latter do better at the top? The answer is ultimately that the far greater resources available for chess in Britain simply cannot match, in terms of cost-effectiveness, the small funds here are more successful than the huge provisions in the Soviet Union, witness England's gold medals ahead of the Russians in the World Youth Championship in Mexico, and our result at the chess olympiad in Buenos Aires. But in some areas the financial disparity is so great that they are unable to compete.

One such area is junior coaching where thousands of Russian masters and experts work on a full or part-time basis but where the small government grants from the Department of Education and Science here do not provide for a single national trainer. That is where Chiburdanidze and Kasparov have benefited. Besides attending at the Botvinnik school, they study regularly with the strong grandmaster, Gelfand.

Similarly, the two Soviet juniors who recently took the gold and silver medals at the junior world championship had regular grandmaster sessions over many months. In Britain we cannot afford such facilities even for such an exceptional talent as Nigel Short.

White: G. Kasparov. Black: S. Palatnik. Opening: Alekhine's Defence (USSR semi-final 1978).

1 P-K4, N-KB3; 2 P-K5, N-Q4; 3 P-Q4, P-Q3; 4 N-KB3, P-KN3; 5 B-QB4, N-N3; 6 B-N3, P-QR4; 7 P-QR4, B-N2; 8 N-N3, P-K3.

White is following a well-known plan against the Alekhine Defence (1...N-KB3) where he hopes to stabilise the central pawn formations and then use his space advantage to mount a king's side attack. Experience shows that the best reply is...

P-Q4 followed by...P-KB3, and Black's inferior choice is to weaken the dark squares round his king while giving few chances for counterplay.

9 P-KB4, P-P; 10 B-P3, P-QB4; 11 Q-Q4, P-B3; 12 P-B3, N-K4; 13 N-Q2 (if P-P; 14 B-N5, Q-Q2; 15 N-B6 ch, B-N1; 16 B-K2, threatening Q-B1-B4); 14 B-K3, N-R2; 15 B-N5, P-P; 16 P-P, P-R3; 17 B-R4, P-KN4; 18 B-KB2, N-KN3; 19 Q-N3, Q-K2; 20 B-B2, P-N3; 21 B-K3, B-R3; 22 R-B2, N-R1.

Finally Black is ready for the counter-attack P-KB4; but now White destroys the opposing position with a sustained sacrificial assault.

23 B-P3, P-B4; 24 Q-R5, P-B4; 25 N-P3, R-B3; 26 P-P; R-B3 (if P-B3, N-P3; 27 R-P3, P-R3; 28 N-Q5, Q-K1; 29 Q-R7 ch, B-K1; 30 Q-P3 ch, K-N1; 31 Q-R7 ch, K-B1; 32 R-R3 (decisive reinforcements); R-B1; 33 R-B3 ch, N-B3; 34 P-R3! (there is time to safeguard the back row before Black can move); 35 R-B3, Q-N3; 36 R-N4 ch, B-R3; 36 N-K5 ch, K-K1; 37 N-B3 ch, Resigns.

POSITION No. 243

BLACK (1 man)

WHITE (2 men)

Gligoric v. Fischer, world championship candidates 1959. This is a test of your understanding of pawn end games: there is only one move for Black (to move) to draw, and Fischer found it. Can you do as well?

PROBLEM No. 243

BLACK (8 men)

WHITE (11 men)

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## HOW TO SPEND IT

## Armchair shopping

FOR THOSE who can't face the traffic, the crowds, the over-heated stores, the jostling and pushing that seems an inevitable part of the Christmas shopping scene, this week's page is almost entirely devoted to ways and means of shopping by post. Anybody who has an account at a big store like Harrods or Simpsons will by now already have received their glossy catalogues, and probably still be drooping over their enticing, if astonishingly priced, wares.

There is one little point, therefore, in drawing the catalogues of the stores to your attention so, instead, I have concentrated on some of the lesser-known shops that run mail order businesses on a smaller, but not necessarily less beguiling, scale.

Each year I mention HALCYON DAYS of 14, Brook Street, London W1 for the very good reason that although every-

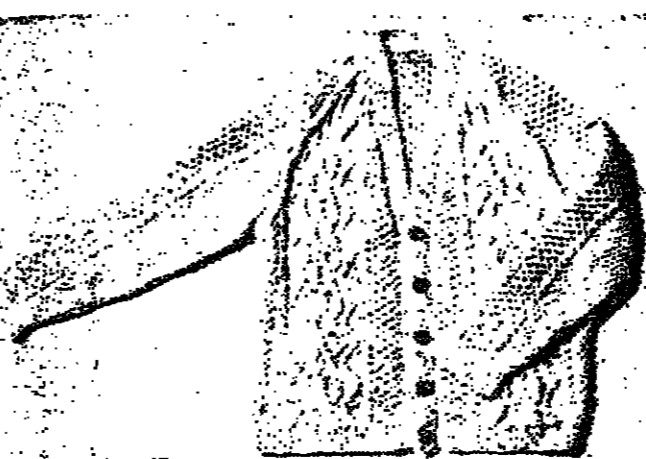
thing it sells has a definite taste and style behind it, nonetheless there is every year something new. There is always a special Christmas catalogue and this year's version is a Regency Street scene of a family arriving with presents on Christmas Eve. It costs £15.50; but for the full range of small, exquisite delights, both old and new, send off for the catalogue. JUST GINGHAM at 44 Pimlico Road, London SW1 specialises in—you've guessed it—gingham. They use gingham in sixteen different colours, so there ought to be something to match almost any room; and there is a complete range of bed-linen all trimmed with gingham—sheets, pillowcases, duvet covers, bedspreads, valances and blanket covers. Prices start at £2.95 for a pillowcase, a single sheet is £9.25, a duvet cover is £18.50, while bedspreads are £25.50 for single size, £29.95 for double.

Besides the bed-linen there are matching dressing gowns, children's clothes and toys, kitchenware (tea-cosies, egg-cosies, napkins) and so on. Write to Just Gingham for their leaflet, sending 25p to cover costs.

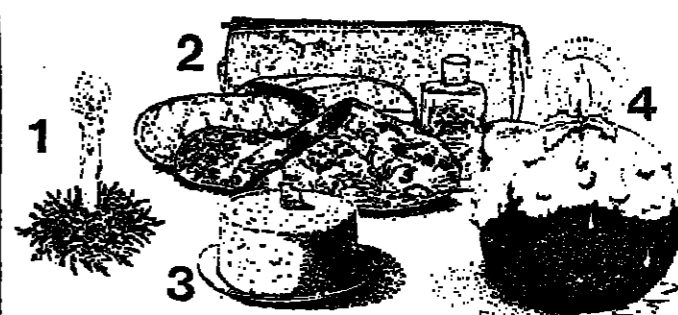
JACKSONS of 171 Piccadilly, London W1 (their Sloane Street branch has now closed), have a lovely, glossy catalogue mainly concerned with foods of all sorts: from rare and delicate teas to rich and fattening pâtés. However, they have a flourishing gifts department and some of its most postable items are shown in full colour at the back of the catalogue. Send 55p to cover cost and postage and packing.

THE ORMEAU BAKERY, 307 Ormeau Road, Belfast is a good source of traditional Christmas food like plum cakes, Irish fruit cakes, Christmas puddings and the like. They have a clear leaflet from which you can order easily and, having dealt with them personally for years, I know they are very reliable and post to all parts of the world. Please order by 10th December.

## Irish charm



IRISH HANDMADE goods Just in time for this Christmas they have brought out a catalogue, very clearly illustrated, with price lists, sizes, colours and so on, so that readers from all over the country may now buy from The Irish Shop. The range of goods has changed little—there are the Aran sweaters (like this man's cardigan) which is from £30 to £35, depending upon the size, p and p £1.50; cushion covers, Galway Crystal, Tyrone Crystal and Green Connemara Marble Jewellery, as well as Taraware Enamelled Jewellery. Write to the Irish Shop for the catalogue.



## Pretty things

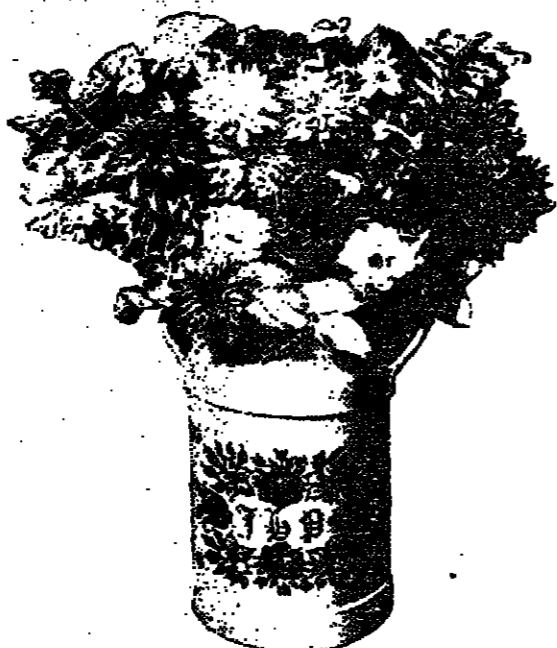
GRAHAM AND GREEN at 2, Elgin Crescent, London, W11, sponge bag and matching and its sister shop just over the slippers which fit into the bag, road (and therefore quite In a variety of colours and sensibly called Over The Road). patterns (green, pink or blue) have produced a charming it is £4.90, small, medium or leaflet which illustrates just large sizes. Postage is 60p. some of the marvellous things they have in the two shops. Unfortunately not everything on the leaflet is postable—either because it is unlikely it would arrive safely or because its weight in relation to its price would make the postage disproportionately high. Enclose a 7p stamp when asking for the leaflet.

Shown in the drawings above is a marvellous little candle-surround of plastic greenery, red berries and pinecones for just 10p (they'll post half a dozen for an extra 80p p and p) to post).

## Presents with presence

PARROTS, of 56, Fulham Road, London, SW3, is one of my favourite present shops and luckily for those who live out of London it has a very full, glossy illustrated catalogue. There are presents for the rich and square, the rich and trendy, but there are also masses of small, amusing presents that are often so hard to track down. I particularly like their Pierrot dishes and ashtrays, their exquisite bedroom cushions covered in finest Swiss lawns and their dotty pottery.

The lazy or very busy will like to know that Parrots will make up stocking selections for you. There is a lovely felt stocking, monogrammed with the initial of your choice which costs £2.80. You can buy it on its own or have it filled with presents of your own choice—you pay for the presents, of course, but for extra charge of £5.50, each one can be gift wrapped and the whole filled stocking sent to anywhere in the UK (highest charge for Europe



## Weighty matter

EVER SINCE my husband and I arrived at an airport on a homeward bound flight after a holiday and were presented with a £78 bill for overweight luggage, I've thought what a good present a pocket balance would be. The Salter pocket balance which is marked imperially up to 56 lbs and metrically up to 25 kgs is at £4.75, just one of the many useful present ideas in The Gardener's Catalogue, available from: The Country Garden, P.O. Box 54, The Sutton Latimer, Northants. Enclose a 7p stamp.

or America). Alternatively they will fill the stocking for you if you just give them age, sex, interests and price bracket (e.g. £12.50, £18.00 or £25.00). They have a large selection of initialled items and this-hand-

Parrots have to charge for the catalogue—send 60p.

## Tate tote



ART LOVERS might like to be given something to link them with one of our best art gal-

eries—the Tate. For a small, but exceedingly useful present, there's a tough tote bag made from red duck with strong handles, a gusset and a stiffened base. Both sides are printed with names of artists represented in the Tate. The bag is £2.50 plus 50p p+p. Write to: The Friends of the Tate Gallery, Tate Gallery, Millbank, London, SW1. Or what about membership of Friends of the Tate? For only £8.00 per year this entitles members to all kinds of special privileges like free entry to all exhibitions, opportunities to attend lectures, private views to join in, visits abroad and so on.

## Evergreens

BASICALLY ALL I was interested in was the prospect of nice, pretty lights and nice pies. It was the others who started the argument, and all because of my new plastic Christmas tree.

Five feet tall and £10.50 from the Hammersmith Co-op, it was the last one in the store of that size. "We've had a run on them," said the delightful and Liverpudlian assistant as we struggled in early festive togetherness to dismantle the display model.

She was right, of course. The pre-season rush for artificial trees is, it seems, taking on remarkable proportions. At Paperchase, which has the best looking mock-trees in the capital, they are eager to show off magnificent greenery large and small, but even there they shuffle a little when you inquire about the between sizes. "Er, not many of those left," they tend to mutter. The Paperchase trees have the sort of over-real quality which makes you expect

Bambi to come bouncing out from between the fronds at any moment.

Nearly Heals boasts similar trees to the Co-op but also a veritable forest of alternative offerings in various shades of green, plus white, silver and gold. Across town at Liberty's they have gone in for the arty droopy frondy variety rather than the spiky Nordic type and for the moment, have good stocks. "But," confided my Liberty guide, "People seem to have gone mad. I wonder if they'll run out of money before Christmas?" With the Liberty 4 ft display tree so liberally covered in splendid sparkling goodies that a buyer of the lot, including tree, would not get much change from £50 according to my mental arithmetic, I see what she means.

But back to the argument. The point was that from one side it was stressed that no real person would buy a plastic tree and that the purchase of such a product consigned me to the social dustbin. From the other came the argument that the annual British pine evil in the cause of a basically pagan winter festival was barbaric. Real trees, like real furs, were out. It seems you cannot win. But do pines feel pain?

While you ponder that, I am off back to the Co-op in Hammersmith. My Liver bird may help me choose some mistletoe—artificial, of course.

Co-op shops have sold 1,500 trees in the last couple of weeks—so hurry. They range from 4 ft at £6.50 to 7 ft at £28. Heals have three different types of green tree: from a 2 ft Cypress, £2.49 to 7 ft Canadian pine at £36. There are tinsel trees in eight colours from £4.25 to £7.49.

Paperchase, 216 Tottenham Court Road, has trees at 3 ft 4 in, 4 ft 3 in, 6 ft and 7 ft 10 in in various colours ranging in price from £9.35 to £38.65.

Boots Department Stores have large supplies of trees, both green and tinsel. These range from 4 ft 3 in (£2.60) to a 6 ft pine at £16.50. Woolworths also have good stocks including a spruce 6 ft 8 in at £15.99. John Lewis branches have green trees of 4 ft 6 in (£9.50) or 7 ft 6 in (£21) or tinsel in two colourways up to 6 ft 6 in at £12.50.

BY ARTHUR SANDLES

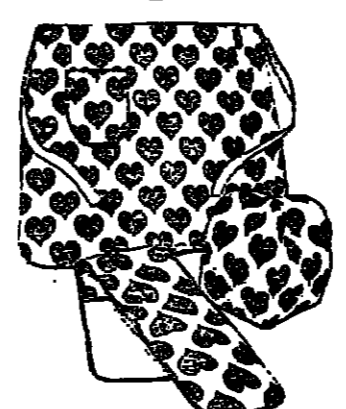
## Charity begins at home

IF YOU like to feel you're helping charity as well as giving presents to friends here is a list of charities that offer catalogues and a full mail order service. Many of them offer much the same sort of items as each other so I think the best approach is to choose your charity and then send off for their leaflet or catalogue.

British Epilepsy Association, New Wokingham Road, Wokingham, Berks. RG11 3AY. A tiny leaflet with a heavy emphasis on stationery. Last orders by December 8.

British Heart Foundation, colour brochure from Heart Cards, 57, Gloucester Place, London W1H 4DH (Tel: 01-935 0185). A good selection of cards, calendars and other stationery. Jigsaws, stocking-fillers for children and others. Apart from some basic kitchen gadgets, there are some attractive aprons, tea cosies, oven mits, etc. in white covered with red hearts. Last orders by December 9.

Help the Aged, PO Box 55, Burton-on-Trent, Staffs. DE14 3JQ. Full colour brochure strong on Christmas cards. Christmas decorations, kitchen gadgets and toys for small children. You may phone for a brochure or make inquiries directly from Pam Richmond, on 01-359 6316. Help the Aged will de-



Leukaemia Research Fund, Medical Research Charities, York Road, Croyley Green, Rickmansworth, Herts. WD3 3TP. One of the better-presented catalogues, the selection of

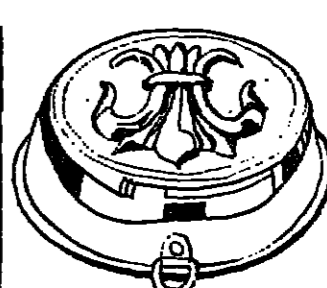
soaps and decorative candles is very attractive. Good range of soft toys—especially a goner bird (£6.95) which walks and flies if you use the puppet control handle. There are other stocking fillers for young children as well as nicely decorated wooden spoons and simple but effective

coat hangers (95p for four). Phone for the catalogue to 01-405 0101 and orders will be sent out up to Christmas Eve—or even after.

Muscular Dystrophy Group, from Medquest Ltd., Dept. P.N., PO Box 2, Central Way, Feltham, Middlesex (or phone 01-720 8055). Nice cards, kitchen knives, gadgets, and a cuddly toy mouse (£5.95). Allow 10-14 days for delivery.

Oxfam Activities, Kidlington, Nr. Oxford (phone 08775 4821). Ponchos from Bolivia, jute carryalls from Bangladesh and a good selection of hanging baskets. Unusual Brazilian pestle and mortar (£1.15), and oak cutting board engraved with folk art of Haiti (£3.50). Good range of tea towels, rugs and mats, very pretty dolls at 85p. Allow 21 days for delivery.

Save the Children Fund, PO Box 40, Burton-on-Trent, Staffs DE1 4BR. Packed with desirable goodies, there is a large section for Christmas, including cards, calendars, decorations, sections for children is 5-ft luminous cardboard skeleton (£1.20), garden-



## Copper bottomed

I FIRST wrote about the Copper Shop at 48, Neal Street, London, WC2, two years ago when it first opened. Out of London readers will be delighted to know that it now offers a full, clearly illustrated catalogue so that many of its delightful things can be ordered by post. Besides showing the full range of things that can be bought—from beautiful saucepans, through to plant troughs, bedside accoutrements, lamps and lanterns, kettles and measuring jugs, the booklet also tells the interested reader how to care for copper, what its virtues are and advises them of their repair and retinning service.

The leaflet costs 50p (including p+p) and the jelly-mould illustrated above is £2.50 (p+p 37p).

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Write clearly names required in BLOCK CAPITALS

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5	10

Total number of sets (at £2.00 per set complete)  
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LONDON W3 6BD.  
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SOMETHING is rotten on the self-admit, there is a good Promenade des Anglais. It is not just that the English are a disappearing race in Nice, and that the famous palm-lined waterfront, commissioned by the English colony well over a century ago, may soon have to be renamed the Promenade des Français.

Outwardly, the changes in this most mild-mannered of European cities are discreet. Even if the avenue's motorists are rewarded these days by computer-controlled traffic lights—the town hall's pride and joy—is the same stately row of Art Deco palaces, backs in the same lambent winter sun, and has the same wealthy strollers and gamblers.

But behind the façade, the Promenade has become the centre of a growing and complex scandal. A part of it has just begun to come out in the courts: an unorthodox manoeuvre to establish a monopoly in the casinos, for which an examining magistrate has after some delay brought charges against a lawyer and a businessman who is a friend of the mayor, M. Jacques Médéric. More colourful, perhaps, are the connected cases of a vanishing heiress, a bankrupt casino under permanent occupation by its croUPIERS, the Swiss police's investigation, at the request of the French police, of a series of Swiss bank accounts, and the fact that in local offices throughout the town the word "Mafia" is on everybody's lips.

The local affairs of Nice, which always seems to live a life apart from the real world of France, have in recent weeks been the subject of increasing national interest, particularly in Paris. And for three good reasons: There is an avalanche of rumour that money from Italian underground organisations is being laundered in Nice. There are the controversial friendships of M. Médéric, a stalwart of the progressive conservative political faction of President Giscard d'Estaing. And, as some of the protagonists in a diabolical situation them-

## Something not quite nice on the Promenade des Anglais

BY DAVID WHITE

4th and the 6th. On the 27th, the attractive 29-year-old brunette with the classic society-girl education disappears with her Range Rover off the face of the earth.

Meanwhile, back at the Palais de la Méditerranée, things are going badly. M. Fraton has put in an associate as chairman who employees loyal to Mme. le Roux will later claim deliberately strangled the business. Big-spending clients have their cheques turned down—the casino business's equivalent of har-kiri.

Six months later, on April 14 this year, having been declared bankrupt, the Palais de la Méditerranée closes its doors but not fast enough to stop the 300 employees from occupying it. They are still there today, guarding and cleaning the green baize tables, the theatre, cinema, bars, night-club and restaurant, coming in in shifts and playing cards—not chemise-de-fer but the vulgar game of belote.

After seven months of occupation, things are beginning to come to a head.

But first we must introduce M. Jean-Maurice Agnès, a 40-year-old lawyer, human rights activist and amateur yogi. Maître Agnès did some busi-

ness and/or fines, and secondly that the casino takeover may be annulled.

Police enquiries, related in court, so far show that Agnès le Roux opened an account at the Union Bank of Switzerland in Geneva, allowing M. Agnès drawing rights, on May 13 last year. On May 16, the day after the agreement M. Fraton claims to have made with her, she would vote for the takeover, SwFr 889,500 (about £272,000) was paid in. The funds, police say, were immediately transferred to another account in the same bank. Three months later, say the police, more money was paid in and the whole lot transferred to a third account, at the Swiss Bank Corporation in Vevey. Where it was later changed into international bonds. And then in February this year, M. Agnès closed the original Geneva account, which had a balance of exactly SwFr 41.

Quite apart from the legality or otherwise of the takeover operation, two big questions stand out, and Maître le Roux is not alone in thinking rather little is being done to find the answers.

The first is: Where did the money come from? The second

مكتبة الأصل



Photo: S. M. M. M.

is: What happened to Agnès le Roux?

Mother le Roux alleges that the first road, if not the second, leads to the Mafia. A handsome, vigorous woman, former model, former violinist in a Paris orchestra, she has run her banker husband's affairs with a forceful hand since his death in 1967. Henri le Roux, who had managed the Monte Carlo casino, bought into the Palais five years before.

Her opponent, M. Fraton, known to friends as Jean-Do, is an equally striking character, who lives up to a more American image of a casino owner. He travels with bodyguards in his Mercedes. A Corsican, he came to Nice after receiving his first casino licence from the municipality 10 years ago. On being given the gambling licence of the old municipal casino, which went bankrupt, he opened the Palais four years ago with a gala of the beat music attended by such as Alain Delon and Mireille Darc.

The present case is clearly an acute source of embarrassment to M. Médéric, the mayor, an

amiable character with something of a playboy image, a former journalist and author of the standard work of Nice cookery, he has recently assumed a less extrovert mood. After the occupation of the Palais (the authorities opting not to stage a violent eviction in the middle of the summer season), he proposed that the municipality take over the buildings and turn them into a conference centre, one of M. Médéric's pet projects.

But the plan looks like a non-starter, since departmental funds are more limited than they once were. The casino is still up for offer, with facilities valued at FF 70m (£8m) and an accumulated deficit of FF 33m, including redundancy payments.

The croUPIERS believe it could go back into business and out-do the more successful Ruhl, which caters more for package tours than for traditional clients. But times are not easy for France's 147 casinos. The Ruhl itself said not to be rolling in profit, and the Casino Municipal along

the coast at Cannes is losing heavily.

There are not that many people left around who are prepared to throw away several thousand pounds on one spin of the roulette wheel. The casinos continue to attract their addicts. Some just sit and take notes, working like Latin scholars on some invincible new system.

But the casinos are staggering under a combination of heavy taxes and their own risks, such as dud cheques or dud croUPIERS usually working with a "bureau" or player-accomplice to defraud the house of gambling chips.

The Ruhl had its own little scandal in the summer, when a series of charges were brought against croUPIERS for embezzlement.

Next door at the occupied Palais, croUPIERS say, it happened because the Ruhl has no unions and the management takes a 50 per cent instead of a 10 per cent cut on croUPIERS' tips—their only earnings.

It is also possible, though difficult legally, to bust the bank. There was a famous occasion on July 8, 1975, when between 8 and 10.30 p.m. the Palais lost FF 4.87m (£575,000) at current rates on a treatment of a quarante card table. Shortly afterwards, the same players won FF 3m at Menton, where the casino had to close and has only just reopened under new management. One of the winners was later found in Marseilles with a bullet in his head.

The case of Agnès le Roux and the money paid in her name may likewise never be fully clarified. But it seems probable that dealings in the casino monopoly case will be brought back to square one, some of the "bad atmosphere" (to quote a local lawyer) blown away, and the ambitions once endorsed by M. Médéric to turn Nice into a Las Vegas held in check.

Queen Victoria's ghost, presiding over it winters in her 147 casinos. The Ruhl itself said not to be rolling in profit, and the Casino Municipal along

## Economic Diary

**MONDAY**—Sir Terence Beckett, chairman of Ford UK, at Department of Industry to hear range of sanctions by the Government against the company. Mr. Jack Lynch, Irish Prime Minister, arrives in London for talks with Mr. James Callaghan. House of Commons debates oil spillage. Mr. Denis Healey, Chancellor of the Exchequer, in talks on European Monetary System with Labour Party national executive's economic and international committee. EEC Council meetings on education and on social affairs.

**TUESDAY**—Special meeting of Sir Harold Wilson, MP, Parliamentary Labour Party to discuss European Monetary

System. Rail drivers' union meets. Barrington House, E22. Mr. T. M. Edwards, former Commander of Metropolitan and City Police, speaks at conference on Corporate Fraud. Royal Garden Hotel, London. Mr. Richard Nixon, former U.S. President, arrives in London on private visit.

**THURSDAY**—House of Commons second reading on Merchant Shipping Bill. Prince Charles visits European Communities Commission. Deadline to suspend printing of Times and Sunday Times. Royal Post Office statement on Royal Mail parcel service. Mr. Richard

Nixon speaks at Oxford Union, Energy Trends publication. Department of Employment Gazette will include unemployment (October) and overtime and short-time working in manufacturing industry (September) and stoppage of work due to industrial dispute (October).

**FRIDAY**—Queen visits the Stock Exchange. Higher interest rates by Building Societies come into effect.

**SATURDAY**—Federation of European Librarians and Documentalists Congress opens, Church House, Westminster.

## Weekend Brief

### Boxing match

An overheard conversation—reputedly about the price of paper sacks—between an employee of the Continental Group and a competitor, plus the more momentous occasion of Britain's entry into the Common Market, led to the renegotiation of an agreement which is changing the shape of the Metal Box company.

That seemingly innocent conversation resulted in an investigation by the American Anti-Trust authorities, and helped to prompt Metal Box and Continental, a big American packaging group, into reviewing their technical agreement which for more than 30 years had to effectively kept each company out of the other's established marketing territory.

The two companies remain "the best of friends," according to Metal Box chairman, Sir Alex Page, but the way has been opened up for them to become competitors for the first time. The opening shots in the coming battle have been fired on their hallowed home markets, with Metal Box going in with Standun to make cans for that most American of institutions, Pepsi Cola, in California. Meanwhile, Continental has already announced plans that it intends making beverage cans in this country.

For Sir Alex, who is 64 years old and would normally have retired last year, the new era into which he has steered Metal Box is a fitting farewell to his 42 years with the company. "To me, competition is stimulating," says Sir Alex with obvious relish. "He was chairman and chief executive until he handed over the latter task to Mr. Denis Aliport, but felt he ought to stay on in the capacity of chairman until the group had been firmly established on its new course."

Metal Box announced this week that it is going to the stock market to raise £35.9m, partly to finance its expansion in beverage cans but also to consolidate its market lead in central heating boilers and radiators. The decision to diversify was made five years ago. For a group that has 70 per cent of the business which gave it its name, it might have seemed an unnecessary digression. But Sir Frank explains that "people can only eat so much canned food and we could see ourselves approaching a static market."

Metal Box's motto can be summed up as: "If it can be canned, we'll do it." The most exciting part of a company most complex near Tokyo. Disney showbiz expertise and Japanese technology are being channelled into a project that was planned some years ago, but put off partly as a result of the energy crisis. With prime Japanese names, like Mitsui and Matsushita involved, Disney is not putting up any of the cash, but is likely to take a good



Sir Alex Page

But the decision to diversify has proved very profitable and Metal Box's purchase of the Stelrad central heating business was added to a couple of years ago by the boiler interests of Ideal Standard so that it is now the biggest in Europe.

But the central heating technical agreement which for success has not caused Sir Alex more than 30 years had to go leaping off in all directions. There will be more acquisitions, but in products which are linked to those where the group has built up its expertise. The recent bid for the Risdon cosmetic packaging group in Connecticut is an example.

Metal Box has never been a company to seek publicity. Its size and its hold on the manufacturing of cans business, however, has inevitably put it in the public eye from time to time. It has been investigated by the Monopolies Commission, it was one of the first three guinea pigs to be examined by the new-style Price Commission, and has had its share of the limelight via its subsidiaries in South Africa and Israel (the latter now sold).

Conservative it remains, says Sir Alex, "but never dull"—an accusation which is often levelled at it. "We were always told by the experts that we would never be able to make an impact in export markets. After all, they said it would just be until last year when he handed over the latter task to Mr. Denis Aliport, but felt he ought to stay on in the capacity of chairman until the group had been firmly established on its new course."

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Will the English pound buy more fish than the Irish Punt?

slice of the profits. Apart from using Disney skill in theme park design, the Japanese are very keen that Mickey and his men should help us with crowd control. At Disney World and Disneyland, the mighty Mouse has shown himself well able to cope with 25m people a year and not cause too much upset with long queues. So, while Japanese engineers have been poring over the mechanics of the Disney rides, American crowd-controllers have been looking at the likely problems in this oriental expertise. Among them is the alarming prospect of a first-day crowd, which is confidently expected to top 250,000—big stuff, even for Disney.

### Floating Punt

There are, at Dublin Airport, rows of desks for immigration officials, where, when flights from Britain arrive, they remain unstaffed—a symbol of the casual attitude still taken by the two countries towards border crossings by their nationals. Within a few weeks, however, this may all change. If the British and the Irish take different decisions about the European Monetary System the likely resultant gap in value between the Irish Punt and the British Pound could mean much closer controls over who is travelling where. It is fair to say that with the Republic and HM Government showing signs of nerves of the EMS most money is going on the two parties deciding to stay out, but the prospect of differing choices is an interesting one.

Among the least amused at the idea is the Irish tourist industry. If the Punt is part of the EMS there is a general assumption that it will strengthen against the pound. This thought may delight some

but it brings no joy to hoteliers and restaurateurs who have recently fought their way back from a tourist slump provoked by the Ulster troubles and the oil crisis. Last year the British spent £58.5m in the Republic, much of it in the West, an area still in desperate need of economic stimulation. Unfortunately the West also looks to agriculture for cash, and the farmers too are regarding the prospect of an Ireland within the EMS with alarm. Most of them have done very well out of a Common Market agricultural policy designed to help the French but which has fitted the small farmers of Clare and Galway like a glove. A strong Punt might nibble away at some of that advantage and the Irish could find themselves importing food from a low-cost Britain.

The Irish are hoping that more than 1m British will visit the republic next year and are launching a substantial promotional programme to ensure that this growth actually happens. No one is particularly keen to face a prospect where prices which have been carefully sorted out on an equality between the Punt and the pound are upset by changing values. The thought of a currency surcharge on Irish holidays does not delight the Irish Tourist Board, or Aer Lingus which would be faced with a tangle of exchange rates on its popular routes.

There are some, however, who will get pleasure from the thought of an Irish pound, presently much despised by British taxi-drivers and publicans, being sought after as a form of payment in the UK. Perhaps in 1979 we will be asking for Irish express cover checks and will the Punt replace the ryal in Marks and Spencer Oxford Street.

Contributors:  
Hazel Duffy  
Arthur Sandles

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What's more, Delta has fares to fit every budget. From London to Atlanta, you can fly for just £82 on the Budget or Standby single fare. And you'll enjoy Delta Medallion Service, with superb dining, new release films, seven-channel stereo and the personal attention of the Delta professionals. (There is a small charge for headsets in Economy Class.)

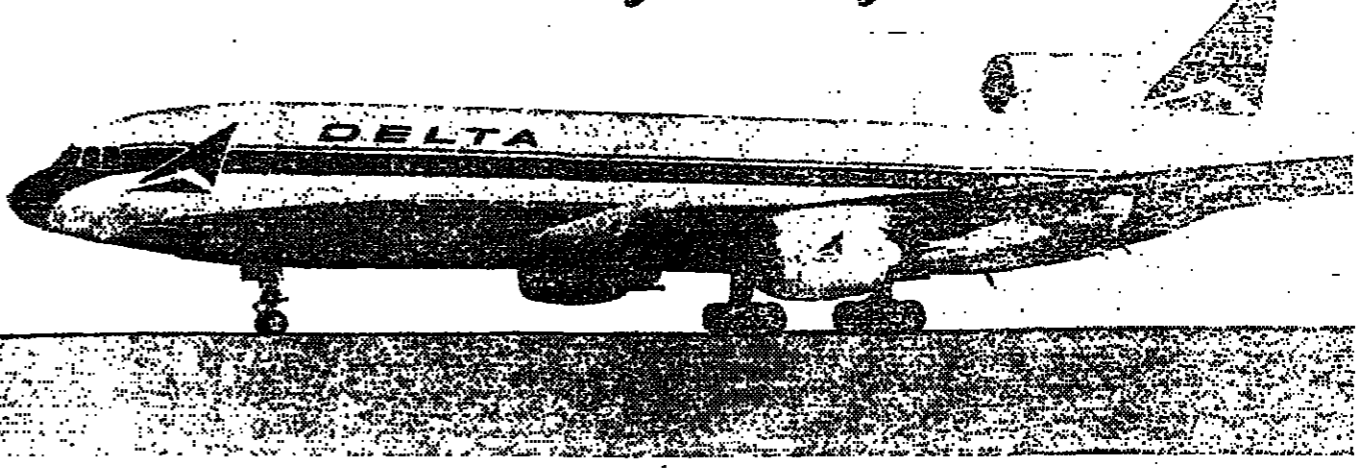
Once you arrive in the United States, you can save 30 to 40 per cent off regular round-trip Day Economy Fares with Night Economy Super Savers to most Delta cities. And 25 to 35 per cent off with daytime Super Savers to all 86 Delta cities in the continental U.S.A. (There are advance booking and other qualifications.)

For information and reservations, call your Travel Agent. Or call Delta in London at (01) 668-0063. Telex: 87189. Or call Crawley (0203) 517900 at Gatwick Airport, Horley, Surrey. RH6 0DY. Delta Ticket Office is at 140 Regent Street, London, W1R 6AT.

London-Atlanta Basic Season Fares	
Budget or Standby Single Fare	£82.00
Basic APEX (Advance Purchase)	
Excursion Return Fare	\$214.00
14-43 Day Basic Excursion	
Return Fare	\$270.50
Regular Basic Economy Single	
Fare	\$138.50
Regular First Class Single	
Fare (Valid all year)	\$367.50

All fares subject to change without notice. Basic Budget Standby and APEX Fares are valid until June 30, 1979; basic 14-43 Day Excursion and Economy Fares valid until 14, 1979. The regular First Class Fares valid year-round.

Delta is ready when you are®











# Documents plea by Burmah Oil

A CLAIM of a "Crown privilege" withheld for "the proper functioning of the public service" in the pending action Burmah Oil v. British Petroleum, which is being fought in the courts over the company's alleged failure to disclose documents in its possession, has been rejected by the court. The court, in a judgment handed down yesterday, said that the documents in question were not withheld from the public service and that the company's failure to disclose them was a breach of its duty.

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# Europeans investigate ITV soccer deal

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT

THE EUROPEAN Commission has launched an investigation into the material which is being used by the British television company, ITV, to broadcast the football matches of the 1978-79 season. The Commission is concerned that the material may be the result of a cartel between the British television companies and the Football Federation of Great Britain (FFA).

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# Spanish 1749 peso bond makes £1,600 at Gibbons

BY ANTONY THORNCROFT

STANLEY GIBBONS held its first auction of bonds and shares yesterday, November 23, at 10.30 a.m. The auction was held at the company's offices in 15, Abchurch Lane, London EC4A 3DF.

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# Employment assurance

PROBATIONS has Britain's unemployment would start to rise sharply next year, says a report by the Commons yesterday. The report, by the Commons, says that the unemployment rate would rise from 6.5% in 1978 to 7.5% in 1979.

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# Long-term wealth from coal

"COAL COULD offer the nation the prospect of long-term economic well-being," Mr. Alex Eadie, Minister of State for Energy, said yesterday. He said that coal could provide a source of long-term wealth for the nation.

He said that coal could provide a source of long-term wealth for the nation.

# £1,000 fellowship for FT writer

DAVID FISHLICK, science editor of The Financial Times, has been awarded a £1,000 fellowship by the 1978 Glaxo Fellowships for EEC science writers for the best article or series of articles in a national or regional newspaper on a science subject.

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# CONTRACTS

# Norwich Union orders electronic exchanges

TELEPHONE RENTALS has orders totalling £75,000 from the Norwich Union Insurance Group for the installation of five electronic, computerised, programmable private digital telephone exchanges at its offices in Norwich, Shiffield, Birmingham, Edinburgh and London. The exchanges will form the basis of the Group's countrywide private network.

Other recent orders for the computerised PARS system, which was introduced earlier this year, have come from Scottish and Newcastle Breweries (£446,000), Ferranti (£250,000) and John Lewis (£249,500)—a total of 11 installations worth over £2.5m.

# Unit Trust & Insurance Offers

Barclays Unicorn Group Limited	p 5
Gartmore Funds Managers Limited	p 6
Lloyds Life Assurance Limited	p 7
M and G Group Limited	p 7
Save and Prosper Group Limited	p 7
Schlesinger Trust Managers Limited	p 28

# This week's SE dealings

Friday, November 24 4,413 Wednesday, November 22 4,201

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## OFFSHORE AND OVERSEAS FUNDS

[illegible]

**NOTES**

Prices do not include \$ premium, except where indicated;  $\frac{1}{2}$  and are in Pence unless otherwise indicated. Yields % shown in last column allow for all living expenses.  $\frac{1}{2}$  Offered price includes all at par.  $\frac{1}{2}$  Issuing price,  $\frac{1}{2}$  Yield before offering costs.  $\frac{1}{2}$  Periodic premium insurance plan.  $\frac{1}{2}$  Total offering price,  $\frac{1}{2}$  Distribution.  $\frac{1}{2}$  Offered price, all expenses except agent's commission.  $\frac{1}{2}$  Offered price includes all expenses if bought through members.  $\frac{1}{2}$  Previous day's price.  $\frac{1}{2}$  Not of face on realized gains unless indicated by  $\frac{1}{2}$  or  $\frac{1}{2}$  interest rates.  $\frac{1}{2}$  Suspended.  $\frac{1}{2}$  Yield before Jersey tax.  $\frac{1}{2}$  Ex-Substitution.



BRUNNEN, 1974, p. 11.

FINANCE, LAND—Continued

Line	Stock	Price	%	Div	Yld	P/E
131	Amco Corp.	177	+1	0.3	5.1	15.5
132	Amco Corp.	21	-2	0.3	4.7	15.5
133	Amco Corp.	126	-3	0.3	4.7	15.5
134	Amco Corp.	126	-3	0.3	4.7	15.5
135	Amco Corp.	126	-3	0.3	4.7	15.5
136	Amco Corp.	126	-3	0.3	4.7	15.5
137	Amco Corp.	126	-3	0.3	4.7	15.5
138	Amco Corp.	126	-3	0.3	4.7	15.5
139	Amco Corp.	126	-3	0.3	4.7	15.5
140	Amco Corp.	126	-3	0.3	4.7	15.5
141	Amco Corp.	126	-3	0.3	4.7	15.5
142	Amco Corp.	126	-3	0.3	4.7	15.5
143	Amco Corp.	126	-3	0.3	4.7	15.5
144	Amco Corp.	126	-3	0.3	4.7	15.5
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146	Amco Corp.	126	-3	0.3	4.7	15.5
147	Amco Corp.	126	-3	0.3	4.7	15.5
148	Amco Corp.	126	-3	0.3	4.7	15.5
149	Amco Corp.	126	-3	0.3	4.7	15.5
150	Amco Corp.	126	-3	0.3	4.7	15.5
151	Amco Corp.	126	-3	0.3	4.7	15.5
152	Amco Corp.	126	-3	0.3	4.7	15.5
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192	Amco Corp.	126	-3	0.3	4.7	15.5
193	Amco Corp.	126	-3	0.3	4.7	15.5
194	Amco Corp.	126	-3	0.3	4.7	15.5
195	Amco Corp.	126	-3	0.3	4.7	15.5
196	Amco Corp.	126	-3	0.3	4.7	15.5
197	Amco Corp.	126	-3	0.3	4.7	15.5
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74	Amco Corp.	126	-3	0.3	4.7	15.5
75	Amco Corp.	126	-3	0.3	4.7	15.5
76	Amco Corp.	126	-3	0.3	4.7	15.5
77	Amco Corp.	126	-3	0.3	4.7	15.5
78	Amco Corp.	126	-3	0.3	4.7	15.5
79	Amco Corp.	126	-3	0.3	4.7	15.5
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86	Amco Corp.	126	-3	0.3	4.7	15.5
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102	Amco Corp.	126	-3	0.3	4.7	15.5
103	Amco Corp.	126	-3	0.3	4.7	15.5
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196	Amco Corp.	126	-3	0.3	4.7	15.5
197	Amco Corp.	126	-3	0.3	4.7	15.5
198	Amco Corp.	126	-3	0.3	4.7	15.5
199	Amco Corp.	126	-3	0.3	4.7	15.5
200	Amco Corp.	126	-3	0.3	4.7	15.5

OVERSEAS TRADERS

Line	Stock	Price	%	Div	Yld	P/E
224	Amco Corp.	177	+1	0.3	5.1	15.5
225	Amco Corp.	21	-2	0.3	4.7	15.5
226	Amco Corp.	126	-3	0.3	4.7	15.5
227	Amco Corp.	126	-3			

selection of Options traded is given on the  
London Stock Exchange Report page

## MAN OF THE WEEK

## Mission to Rhodesia

BY PHILIP RAWSTORNE

FEW OF Mr. James Callaghan's appointments have been endorsed with such warm approval by the Commons as his choice this week of Mr. Cledwyn Hughes for the Rhodesian reconstruction mission.

The all-party acclaim is a measure of the personal popularity, esteem and trust that the MP for Anglesey has secured during his 27 years at Westminster. For Mr. Hughes, the Rhodesian mission comes as an unexpected climax to a political career that is drawing to a close. "Unpredictability is one of the charms and charms of political life," he told the Commons earlier this month.

Having secured his re-election at the next General Election, he was presently surprised to find himself back in the Commons, moving the Local Address to the Queen, at the opening of another session.

"I am not going to be here for a while longer," he confessed, "and Labour MPs in mutual delight promptly elected him chairman of the parliamentary party. The persuasive, behind-the-scenes influence which Mr. Hughes has exerted in that post over the past four years is now, for much of the confidence placed in him at the Prime

Cledwyn Hughes  
Dramatic climax to his political career

Minister and the Commons. He has not rank as an intellectual, though he is a Welsh scholar. But he is politically acute, independent of mind, and has the quick humour and gently beginning manner that wins acceptance.

In his African mission, he will be able to draw also on the experience acquired as Commonwealth Minister of State at the time of Rhodesia's UDI, when he headed Government delegations to Salisbury and Bulawayo.

Mr. Hughes' career provides one of the supreme examples of the local boy who made good. Born in Holyhead, the son of a Presbyterian Minister, he has retained affectionately close ties with his native background. He is now president of University College, Aberystwyth, where he studied to become a solicitor, a freeman of Beaumaris and Anglesey where for more than 25 years he has presided at the annual eisteddfod.

Mr. Hughes played an active part on Commons backbench committees and when the Wilson Government took office in 1964 was an obvious choice for a middle-rank post. After two years at the Commonwealth Office, he was promoted to the Cabinet in 1966 as Secretary for Wales. For a man who reckons to have conducted all but a handful of his election meetings in Welsh, it represented the summit of achievement. Mr. Hughes revelled in his enjoyment of the post and eagerly hid his disapproval of his transfer in 1968 to Minister of Agriculture.

With humorous self-deprecation, he tells friends now that his only noticeable success at the department was erasing the little lion from the country's eggs.

After Labour's defeat in 1970, he remained on the Opposition front bench as agricultural spokesman for a year. But as an ardent pro-Marketeer, he gradually became detached from the Wilson leadership. Passed over for a Government post after the 1974 elections, he was drafted by moderate Labour MPs to challenge leftwing Mr. Ian Mikardo as chairman of the parliamentary party.

He won—and in his conscientious and considerate use of the post as a liaison between Government and backbenchers consolidated the respect of both sides. When Mr. Callaghan, a life-long friend became Premier, Mr. Hughes declined to return to the Government, preferring the backstage role of mediator.

Mr. Callaghan had cause to be grateful. The decision enabled Mr. Hughes last year to play a crucial and still largely unrecognized part in securing the Life-Lab pact which guaranteed the Government's survival. It was a useful grounding for his self-defined mission next week as "an explorer of possibilities." If there is even a hint of compromise in Rhodesia, Mr. Hughes is the man to detect it.

## Interest rates boost for National Savings

BY EAMONN FINGLETON

THE TREASURY surprised the City yesterday by announcing a highly competitive new package of National Savings offers.

The interest rate of "investment account" deposits at the National Savings Bank is being raised from 9½ per cent to a record 12 per cent, two points above the previous highest rate announced in the wake of the autumn 1976 sterling crisis.

The Department is also bringing in a new issue of National Savings certificates which will offer a return of 9.45 per cent free of all tax to anyone who holds for the maximum five years. The new issue will go on sale from the end of January, when sales of the current 14th issue will be suspended.

The savings bank investment account is already popular with non-taxpayers, particularly pensioners and the new rate will enhance its attractions. Investment account deposits are withdrawn on one month's notice. The higher rate, which comes in on January 1, will put pressure on the major banks to raise their deposit rates. At present, they offer 10 per cent on ordinary deposits and for one-month money of £10,000 or more the rate at Barclays yesterday was 11½ per cent.

The investment account will now again be attractive for short-term institutional funds, but the present ceiling of £50,000 on deposits will limit inflow of hot money.

The new National Savings certificate issue, to be named the 18th, will provide some competition for the building societies, but is not expected to force them to make fresh increases in their savings and mortgage rates.

Mr. Norman Briggs, secretary-general of the Building Societies Association, said: "The Government's move serves to confirm that high interest rates are with us for some time to come, and it justifies the intention of building societies to increase their investment rates from December 1."

The societies expect that about £100m of savings will be withdrawn by high-rate taxpayers in the first weeks after the new issue comes in.

The issue represents almost unbeatable value for anyone paying more than standard rate tax.

The maximum holding per investor will be relatively low at £1,500, a measure which will

limit the impact on building societies.

Investors can hold up to £3,000 of the current National Savings certificate issue, which yields 7.50 per cent free of tax over four years.

The jump from the 14th to the 18th issue is explained by the existence of three special intervening issues, the 15th, the pensioners' issue, remains on sale; the 16th was offered briefly and then withdrawn in favour of the 14th; and the 17th was announced earlier this year but never launched because interest rates shot up before it went on sale.

Michael Blandan writes: Short-term interest rates continued to decline in the London money markets yesterday, with a further fall in the average rate on Treasury bills at the weekly tender.

The bill rate dropped to 11.525 per cent, compared with 11.734 per cent a week earlier. On the old market-related formula for determining the Bank of England's minimum lending rate, which was abandoned last May, this would again have produced an MLR of 12½ per cent against the present rate of 12½ per cent.

Overall, both the level of grant and its distribution, with the exception of London and in particular inner London, held few surprises and was little changed from the 1978-79 settlement.

Out of an additional £95m in grants London will receive an extra £31m, of which £28.5m will go to inner London. The only other major, though not unexpected, change in the package is that Mr. Shore has finally decided to give the "needs element" part of the grant, related to district council expenditure, direct to the non-metropolitan district councils rather than to the counties.

In spite of Treasury pressure for a reduction in the percentage grant, Mr. Shore has kept the grant at 61 per cent of overall approved council spending which is to be £14,109m at November 1978 prices.

This includes local authority current expenditure of £12,656m, a 1.6 per cent increase over the expected final local authority expenditure this year, and about 1 per cent more than budgeted expenditure this year. Total grants for 1979-80 will be £8,607m of which £7,538m is the rate support grant.

Mr. Shore has set a tight cash limit on expenditure—the provision to increase grants in line with increases in pay and prices. The £17m cash limit reflects both Government policy on pay increases and Government forecasts of a 7.5 per cent inflation rate on items affecting local government expenditure.

The continuation of a damping factor and a "safety net" provision which limits the grant to any individual local authority to the equivalent of a 2½ per cent increase in the grant, aimed at stopping any major problems caused by sudden grant loss.

Introducing the package, Mr. Shore said that, with the co-operation of local authorities, the settlement would allow them to keep average rate increases below 10 per cent.

Reaction of the local authority associations to the settlement was naturally mixed, although none of the associations appeared to consider average rate increases a single figure to be a serious possibility.

Sir Duncan Lock, chairman of the 333-strong Association of District Councils, described the settlement as "a move in the right direction."

Mrs. Elizabeth Coker, chairman of the Association of County Councils executive council said that for the sixth successive year, the non-metropolitan areas would lose grants and county ratepayers would have to pay higher rates.

Councillor "Tag" Taylor, chairman of the Association of Metropolitan Authorities, said that to talk of single figure rate increases was optimistic and perhaps misleading, "and for some areas."

Michael Dixon, Education Correspondent, writes: An overall increase of £200m to £300m in educational expenditure could be made in 1979-80, provided that local authorities did not continue underspending their budgets, said Mrs. Shirley Williams, Secretary for Education, yesterday.

Such of the increase allowed for in the rate support grant settlement—presenting a 3½ per cent rise on the actual educational spending in 1977-78—was due to go on teachers.

The grant permitted the general teaching force to be maintained at 8,500 teachers more than were technically justified by the declining pupil population—compared with a "house element" of only 7,600 fore-shadowed by the 1974-82 Expenditure White Paper.

The settlement also provided for enough extra teachers to enable the numbers released from schools for in-service training to be increased from 5,000 to 9,000 in 1979-80. There was room for another 1,000 extra staff to boost the teaching strength of schools in poor areas.

## Councils told to keep rate increases below 10%

BY PAUL TAYLOR

THE GOVERNMENT yesterday told local authorities in England and Wales to keep the next round of rate increases to "single figures."

But the local authority associations described this hope as "at best optimistic and at worst unrealistic." Tight spending limits and uncertainty over pay deals were the problems.

Mr. Peter Shore, Environment Secretary, said the Government's 1979-80 rate support grant to local authorities announced yesterday provided for a "modest" increase in local government spending, but was aimed at maintaining "stability and continuity."

Overall, both the level of grant and its distribution, with the exception of London and in particular inner London, held few surprises and was little changed from the 1978-79 settlement.

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## U.S. stopper for gilt-edged

Interest rates on both sides of the Atlantic were moving in opposite directions yesterday.

Here in London the Treasury Bill rate at the weekly tender fell for the second week running, while across in America the banks were unusually hoisting their prime rates by as much as half a point to 11½ per cent. The pound was slightly easier following these moves, and gilt-edged prices were a shade easier. But generally the UK financial markets appeared to be fairly relaxed about the upward move in U.S. rates.

The surprise 2½ percentage points rise in Minimum Lending Rate a couple of weeks ago now seems to make much more sense since it gives the UK authorities a little more flexibility and U.S. prime rates will probably have to top 12 per cent before they begin unsettling the UK interest rate structure.

However, the rise in U.S. interest rates does make it that much more difficult for UK rates to decline. Last week it was still possible to find one or two voices around the discount market who thought MfR could fall relatively soon. This perhaps partly explains the way treasury bill rates are being bid down and the slightly surprising firmness in the short end of the gilt-edged market. But with one year gilts yielding just over 11 per cent and one month money costing over 12 per cent there is a limit to how far prices in the short end of the market can rise.

Indeed, the stock explanation for the recent firmness of short-dated gilt is the absence of a tap stock at this end of the market. By contrast the long and medium dated tap stocks are overhanging the market at the moment, and this limits the scope for improvement here. As one broker put it, it is currently very much a "collectors' market." The institutions have had their fill of gilts for the time being but on bouts of weakness, they are prepared to dip in and collect some more stock in the next batch of annual

Index rose 3.9 to 479.9

Gilt-edged market looks set to drift into the Christmas holiday season and could start moving ahead early next year when the Government should have nearly finished its funding programme and loan demand should be tailing off.

## Bank disclosure

Pity the clearing bankers. They are in for a worrying weekend trying to decide how they should handle Sir Harold Wilson's committee when they appear before it on Tuesday. Sir Harold has already supplied the clearers with a list of the questions he would like answers to—including areas such as banking supervision, competition, fiscal neutrality, and the case for public ownership of banking. But most immediately embarrassing for the clearers are the penetrating questions they have been told to expect on the sensitive question of closing bad debt provision.

The Wilson Committee has already noted that a high level committee was established by the clearers last March to look into the issue of bank disclosure. Eight months on, Wilson no doubt feels it is time the clearers had some answers on closing the maturity structure of bank deposits will also crop up.

Unfortunately, though accepting the general principle of a more disclosure of bad debt provisions, the clearers are finding it difficult to agree on the extent and the timing. Indeed the latest news is that the Big Four are split down the middle with two, rumoured to be Midland and National Westminster, in favour of doing something in their 1978 accounts. Barring any last minute change of heart it seems possible that one of these, at least, will break ranks and collect some more stock in the next batch of annual

The disagreement does not end there. Some of the more liberal bankers even want to abolish the whole mumbo-jumbo of bank accounting. More and more of them are accepting the case for dropping the special accounting rules. Sir Harold Wilson's intervention may hurry up the laggards—especially since Tuesday's evidence will be released to the Press afterwards.

## National Savings

The big increase in national savings rates announced yesterday highlights the way that the Government is coming to rely on sources of finance which up to a year or two ago had been largely unexploited. National savings have recently been chipping in a handy £100m of so a month towards the Government's borrowing requirements. Together with certificates of tax deposit—another funding device which is being tapped more aggressively than it ever used to be—they have financed over £300m of central government debt during the past three months. This, remarkably enough, is more than the net sales of gilt-edged securities over the period.

The new savings rates are very competitive. The 18th issue of National Savings Certificate will not be as big a seller as the 16th—which was exceptionally good value as interest rates fell early in 1977 and brought in a badly needed £200m or so over a four-month period. But a compound return of 8.45 per cent over five years free of all tax will still be most attractive to high rate taxpayers. Grossed up at the standard rate, the return is comparable to that on five-year gilts. And unlike the 16th issue, which offered 8.78 per cent at a time when inflation was still well into double figures, the new issue offers a modest real return—for the present, at least. The big drawback, the maximum holding is £1,500.

## Syndicate excludes Rothschild Bank from Arab bond issue

BY NICHOLAS COLCHESTER

AN INVESTMENT bank with Jewish connections has been excluded from an international bond issue because of the Middle East crisis.

Rothschild Bank, the Zurich associate of the London merchant bank, was asked to leave the syndicate for a SwFr 50m floating rate note issue for the Banque Nationale d'Algerie.

The issue was managed by Ruppel, Gutzwiller, Kurz, Bannister & Co., Zurich, general manager, and yesterday that an ad hoc syndicate had been assembled for the issue including two banks that are not usually members of the Gutzwiller syndicate: Saudi Finance Company and Arab Bank Overseas.

He said that after discussions between the banks and the Banque Nationale d'Algerie, one

of Algeria's state banks, the borrower had asked that Rothschild be excluded from the syndicate. The Algerian bank had emphasised that the request was made only because of political tensions.

Mr. Gilbert de Botton, managing director of Rothschild in Zurich, said he had reacted to his bank's exclusion "more in sorrow than in anger." He did not really expect Gutzwiller to take up on behalf of Rothschild, but he was not certain that Rothschild would participate in Gutzwiller syndicates in future.

Difficulties resulting from Arab-Israeli enmity have been much less prevalent recently than in 1974-75. In the wake of the Yom Kippur war and with the Arab oil exporters in the first flush of their financial power, some Arab banks insisted on the

exclusion of underwriters with Jewish connections from international bond syndicates before they would make their purchasing and placing power available.

In the Eurobond market, where underwriting syndicates tend to be assembled on a case-by-case basis, it has always been possible to choose syndicate members "diplomatically" and thus, to some extent, to sweep the matter under the carpet.

In Switzerland, however, underwriting syndicates are clubs with permanent members, all of whom play their determined part as each issue arises.

Guest members for any particular issue can be invited in, as were the Arab banks in this case, but an existing member, such as Rothschild, has to be asked to leave if it is not to participate.

## Belgians in £1bn steel rescue

BY GILES MERRITT

BRUSSELS, Nov. 24.

THE Belgian Government has launched a rescue plan for the steel industry that is expected to cost about Bfr 600m (£1bn) and could involve almost a third of the country's 45,000 workers losing their jobs.

The Government has also, in advance of the December 17 general election, promised comparable measures for the textile and shipbuilding industries, as important to the Flemish regional economy as steel to French-speaking Wallonia.

The modernisation and restructuring scheme will span the period 1979-85, and is based on substantial State participation in the country's half-dozen main steelworks.

Belgian trade unions have warned that the plan could cost 15,000 jobs, but agreed to it last night in principle in negotiations with Government and employers.

A final union decision will not come until the end of January after examination of the re-employment programme being set up with the backing of a special

BFRs.35bn fund. Under the plan, the Belgian State takes a 60 per cent stake in Cockerill, largest of the steel producers, which recorded a BFRs.73bn loss last year, and in the Charleroi area in a number of companies known as the Tri-angel.

State participation in the less hard-pressed concerns, such as the very modern Sidmar subsidiary of Luxembourg's Arbed and the Clabecq company, will be substantially lower, at 20 to 30 per cent.

The Government's holdings will be divided 50-50 between two state bodies, the Societe Nationale d'Investissements and the Societe Regionale d'Investissement.

Details, Page 2

## W. German trade surplus up DM2.3bn on last year

BY ADRIAN DICKS

BONN, Nov. 24.

WEST GERMANY'S trade surplus during the first 10 months of this year amounted to DM3.4bn (£9bn), up by DM2.3bn from the same period last year. For October alone, DM4.8bn, the highest surplus for a single month this year was recorded. But this was the same as for October last year, and was only DM100m more than last September.

For the current account as a whole, the surplus for the first 10 months of this year was DM3.9bn, compared with DM3.9bn for the same period last year. Here, a DM500m increase to DM15.3bn in "transfers" deficit (mainly

foreign workers' remittances) was more than offset by a sharp reduction of the deficit in services (mainly foreign travel) by Germans) from DM12.2bn to DM8.5bn.

The provisional figures issued by the Federal Statistical Office of trade—a development which senior officials have used to explain the swelling surplus on the trade account.

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## EMS Green Paper

It notes, for example, that "once a virtuous circle of exchange rate stability, lower costs and greater stimulus to efficiency has been established, the effects of any initial loss of price competitiveness may be removed."

The Government suggests that "perhaps a fair conclusion" would be that there have certainly been cases where countries have improved their balance of payments over a period where their exchange rate fell because it was no longer in line with the underlying economic realities.

effect of changes in nominal exchange rate seems to have been slower and less certain.

"In some countries the volume of exports has held up in a striking way in spite of sharp exchange rate appreciation and lower costs have offset much of the effects of the appreciation.

"The Government for its part has made it clear that it does not regard exchange rate depreciation as a solution to the economic problems still facing the UK."

The European Monetary System, Green Paper Cmd 7405, 50p from the Stationery Office.

In recent years, however, the

## 9.6% per annum paid quarterly

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